

# **BITOU**

## **MUNICIPALITY**



**Unaudited**

**FINANCIAL STATEMENTS**

**30 JUNE 2015**

# BITOU LOCAL MUNICIPALITY

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# BITOU MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community.

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Bitou Municipality includes the following areas:

*Plettenberg Bay  
Natures Valley  
Wittedrift  
Keurbooms  
Kranshoek  
Harkerville  
Kwanokuthula*

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M. Booysen</i>
Deputy Executive Mayor	<i>Councillor R. Koeberg</i>
Speaker	<i>Councillor A.R. Olivier</i>
Mayoral Committee Member	<i>Councillor N.M. de Waal</i>
Mayoral Committee Member	<i>Councillor E.E. Paulse</i>

#### ORDINARY COUNCILLORS

Councillor	<i>Councillor W.R. Craig</i>
Councillor	<i>Councillor N. Ndayi</i>
Councillor	<i>Councillor M. M. Mbali</i>
Councillor	<i>Councillor H. Plaatjies</i>
Councillor	<i>Councillor L. M. Seyisi</i>
Councillor	<i>Councillor S. Farrow</i>
Councillor	<i>Councillor S. E. Gcabayi</i>
Councillor	<i>Councillor S.Besana</i>

#### MUNICIPAL MANAGER

*Mr A.A. Paulse*

## **CHIEF FINANCIAL OFFICER**

*Mr F. M. Lötter*

## **REGISTERED OFFICE**

*Sewell Street, Plettenberg Bay, 6600*

*Private Bag X 1002. Plettenberg Bay, 6600*

## **AUDITORS**

*Office of the Auditor General*

## **PRINCIPLE BANKERS**

*Nedbank, Plettenberg Bay*

## **ATTORNEYS**

*Mosdall, Pama & Cox*

*Nandi Bulabula*

*Hutchinson*

## **RELEVANT LEGISLATION**

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

2014 / 2015

## MEMBERS OF THE BITOU LOCAL MUNICIPALITY

### WARD

### COUNCILLOR

- |  |                               |
|--|-------------------------------|
| 1 Wittedrif/Kurland/Natures Valley/Keurbooms/Cowie/Uplands | <i>Councillor N M de Waal</i> |
| 2 Plettenberg Bay South & North                            | <i>Councillor W R Craig</i>   |
| 3 Qolweni/Bossiesgif/Pinetrees/Portion of New Horizons     | <i>Councillor L M Seyisi</i>  |
| 4 Portion of New Horizons/Portion of KwaNokuthula          | <i>Councillor H Plaatjies</i> |
| 5 Kwanokuthula   | <i>Councillor M M Mbali</i>   |
| 6 Kwanokuthula   | <i>Councillor S E Gcabayi</i> |
| 7 Kranshoek/Harkerville/portion of KwaNokuthula            | <i>Councillor A R Olivier</i> |

### PROPORTIONAL

Councillor S Besana  
Councillor E Paulse  
Councillor S Farrow  
Councillor M Booysen  
Councillor R Koeberg  
Councillor N Ndayi

### APPROVAL OF FINANCIAL STATEMENTS

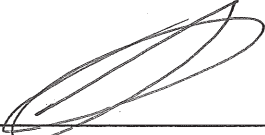
I am responsible for the preparation of these annual financial statements for the year ended 30 June 2015, which are set out on pages 1 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 June 2015 and is satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

The external auditors are responsible for reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
*Mr A.A. Paulse*  
**Municipal Manager**

31 Augustus 2015  
\_\_\_\_\_  
**Date**

**BITOU LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the financial position of BITOU LOCAL MUNICIPALITY for the fiscal year 2014/2015

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community. Further more I have to the best of my knowledge endeavour to assist the Municipal Manager to maintain and exercise his duties as accounting officer as set out in sec 64 (3) of the MFMA which were to ensure : the resources of the municipality are used effectively, efficiently and economically; that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

that the municipality has and maintains effective, efficient and transparent systems-

(i) of financial and risk management and internal control; and

(ii) of internal audit operating in accordance with any prescribed norms and standards;

that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;

that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of

financial misconduct : and that the municipality has and implements-

(i) a tariff policy referred to in section 74 of the Municipal Systems Act;

(ii) a rates policy as may be required in terms of any applicable national legislation;

(iii) a credit control and debt collection policy

(iv) a supply chain management policy in accordance with Chapter II of the Municipal Systems Act; and is responsible for and must account for all bank accounts

I also endeavoured to apply the prescriptions in terms of sections 63,64 and 65 of the MFMA for Assets, Revenue and Expenditure management within the limitations of my available support and personnel.

**2. KEY FINANCIAL INDICATORS**

The prevailing downturn in the global, national and local economy continue to influence al levels of municipal service delivery, but within the economic constraints we have achieved a good balance between our set objectives and our available financial resources and simultaneously improved our cash flow position.

The challenge is now to achieve more with our existing resources and to increase our productivity levels to secure excellent world class affordable services to our community.

The following financial results are extracts of the financial performance of the past financial year

**Financial Statement Ratios:**

INDICATOR	30 June 2015	30 June 2014
<b>Surplus / (Deficit) for the year before Appropriations</b>	<b>53,676,883</b>	<b>64,338,479</b>
<b>Accumulated Surplus / (Deficit) at the end of the Year</b>	<b>664,204,653</b>	<b>628,027,770</b>
<b><u>Expenditure Categories as a percentage of Total Expenses:</u></b>		
<b>Employee related costs</b>	<b>30.75%</b>	<b>31.90%</b>
<b>Remuneration of Councillors</b>	<b>1.09%</b>	<b>1.15%</b>
<b>Debt Impairment</b>	<b>5.60%</b>	<b>6.86%</b>
<b>Collection Cost</b>	<b>0.14%</b>	<b>0.21%</b>
<b>Depreciation and Amortisation</b>	<b>4.33%</b>	<b>3.95%</b>
<b>Inventory Impairments</b>	<b>0.74%</b>	<b>0.78%</b>
<b>Repairs and Maintenance</b>	<b>2.86%</b>	<b>2.98%</b>
<b>Actuarial losses</b>	<b>0.02%</b>	<b>0.90%</b>
<b>Finance Charges</b>	<b>4.86%</b>	<b>4.70%</b>
<b>Bulk Purchases</b>	<b>19.38%</b>	<b>18.60%</b>
<b>Contracted services</b>	<b>5.03%</b>	<b>3.46%</b>
<b>General Expenses</b>	<b>24.49%</b>	<b>21.51%</b>
<b>Current Ratio:</b>		
<b>Creditors Days</b>	<b>58.87</b>	<b>71.90</b>
<b>Debtors Days</b>	<b>56.72</b>	<b>60.19</b>

**BITOU LOCAL MUNICIPALITY**  
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for the year ended 30 June 2015

**REPORT OF THE CHIEF FINANCIAL OFFICER**

An indicator to comment on is the expenditure on repairs and maintenance. In recent years the expenditure were far below the benchmark norm of 8% of the total value of the assets. Reduced spending in the short term on maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. The percentage spent on repairs and maintenance do not include labour as a cost component and a significant change to the ratio would be evident once this is done. We do however have to improve on this in the future to ensure that service delivery standards are adequately met.

### 3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/2015 R	Actual 2013/2014 R	Percentage Variance %	Budgeted 2014/2015 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	595,830,356	531,491,877	12.11%	595,388,271	0%
Operating income for the year (incl. gains in disposal of assets)	489,561,255	475,155,264	3.03%	533,576,597	-8.25%
	1,085,391,611	1,006,647,141	7.82%	1,128,964,868	-3.86%
<b>Expenditure:</b>					
Operating expenditure for the year	435,884,372	410,816,785	6.10%	496,800,868	-12.26%
Closing surplus / (deficit)	649,507,239	595,830,356	9.01%	632,164,000	2.74%
	1,085,391,611	1,006,647,141	7.82%	1,128,964,868	-3.86%

### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 55 497 469, which represents 89% of the capital budget amount. Full details of Property, Plant and Equipment are disclosed in note 13 to the Annual Financial Statements.

The capital expenditure was financed as follows:

DETAILS	Actual 2014/2015 R	Budgeted 2014/2015 R	Percentage Variance %	Source of funding as % of total Cap exp
External Loans	7,279,303	10,919,000	-33%	13.12%
Grants and Subsidies	34,103,625	36,526,000	-7%	61.45%
Own Funds-CRR	14,114,541	15,219,000	-7%	25.43%
	55,497,469	62,664,000	-11%	100.00%

### 5. LONG-TERM LIABILITIES

The outstanding amount for Long-term Liabilities as at 30 June was :

2015  
R

2014  
R

**119,987,745**      **120,544,910**

New loans raised during the financial year to enable the municipality to partly finance the capital program.

**10,000,000**      **16,000,000**

Refer to Note number 3 and Appendix "A" for more detail.

**BITOU LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2015

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS**

	2015	2014
	R	R
Non-current Provisions and Employee Benefits at 30 June are made up as follows:	<b>82,769,871</b>	<b>72,788,224</b>
Provision for Post Retirement Benefits	79,997,002	70,143,018
Provision for Long Service Awards	2,772,869	2,645,206
	<b>82,769,871</b>	<b>72,788,224</b>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable. The provisions are not cash funded.

Refer to Notes number 4 and 5 for more detail.

**7. CURRENT LIABILITIES**

Current Liabilities are made up as follows:

Consumer Deposits	Note 6	5,606,674	5,534,048
Current Employee benefits	Note 7	15,728,100	15,955,036
Provisions	Note 8	5,301,907	3,109,862
Payables from exchange transactions	Note 9	39,801,088	41,474,951
Unspent Conditional Government Grants and Receipts	Note 9	15,168,664	518,453
Unspent Public Contributions	Note 10	104,052	919,058
Current Portion of Long-term Liabilities	Note 3	10,254,978	12,212,449
Operating Lease Liabilities	Note 23	438,587	474,554
		<b>92,404,049</b>	<b>80,198,410</b>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). At present the current assets (see 11 below) , exceeds the current liabilities with the result that the municipality is in the position to honour their responsibilities in the short term.

Refer to the indicated Note numbers in the notes to the Financial Statements for more detail.

**8. INTANGIBLE ASSETS**

The net value of Intangible Assets is:

**481,021**                      **295,818**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to note 15 in the notes

**9. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment is:

**752,514,784**                      **717,293,332**

Refer to note 13 for detail information

**10. LONG-TERM RECEIVABLES**

Long-term Receivables consist mainly of housing loans

**18,576**                      **58,360**



**BITOU LOCAL MUNICIPALITY**  
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for the year ended 30 June 2015

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**11. CURRENT ASSETS**

		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
Current Assets are made up as follows:			
Inventory	Note 20	3,453,981	2,790,654
Receivables from exchange transactions	Note 21	26,154,225	31,113,935
Receivables from non-exchange transactions	Note 22	21,836,896	16,476,719
Unpaid Conditional Government Grants and Receipts	Note 10	212,787	6,578,525
Operating Lease Asset	Note 23	107,872	18,259
Taxes	Note 12	3,275,678	7,812,276
Current Portion of Long-term Receivables	Note 19	39,578	76,842
Cash and Cash Equivalents	Note 24	98,627,763	49,177,044
		<b>153,708,780</b>	<b>114,044,254</b>

**12. INTER-GOVERNMENTAL GRANTS**

The municipality plays a major role in the upliftment of the poor and to provide sustainable and improved infrastructure for all its citizens. The majority of the capital expenditure allocated to infrastructure projects is funded by grants received from national government.

Refer to notes 10 and 26 and Appendix D for more detail

**13. EVENTS AFTER THE REPORTING DATE**

None

**14. DISCLOSURE ISSUES**

None

**15. EXPRESSION OF APPRECIATION**

I am grateful to the Municipal Manager, Heads of Departments and all staff involved in financial administrative processes for the support they extended during the financial year.

The work involved in producing the financial statements is increasing annually due to more detail requirement and I wish to convey a sincere word of appreciation to my personnel for their hard work and effort and dedication in this regard.

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**Mr F.M. Lötter**  
**CHIEF FINANCIAL OFFICER**  
31 August 2015

# BITOU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	(Restated) 2014 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>689,234,664</b>	<b>635,527,770</b>
Capital Replacement Reserve	2	25,000,000	7,500,000
Accumulated Surplus		664,234,664	628,027,770
<b>Non-Current Liabilities</b>		<b>202,757,616</b>	<b>193,333,134</b>
Long-term Liabilities	3	119,987,745	120,544,910
Employee benefits	4	82,769,871	72,788,224
<b>Current Liabilities</b>		<b>92,404,050</b>	<b>80,198,410</b>
Consumer Deposits	6	5,606,674	5,534,048
Current Employee benefits	7	15,728,100	15,955,036
Provisions	8	5,301,907	3,109,862
Payables from exchange transactions	9	39,801,088	41,474,951
Unspent Conditional Government Grants and Receipts	10	15,168,664	518,453
Unspent Public Contributions	11	104,052	919,058
Operating Lease Liability	23	438,587	474,554
Current Portion of Long-term Liabilities	3	10,254,978	12,212,449
<b>Total Net Assets and Liabilities</b>		<b>984,396,330</b>	<b>909,059,315</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>825,509,908</b>	<b>795,015,060</b>
Property, Plant and Equipment	13	752,549,619	717,293,332
Investment Property	14	72,425,499	72,452,368
Intangible Assets	15	481,021	295,818
Heritage Assets	16	35,193	35,193
Non-Current Investments	18	-	4,879,989
Long-Term Receivables	19	18,576	58,360
<b>Current Assets</b>		<b>158,886,423</b>	<b>114,044,254</b>
Inventory	20	3,453,981	2,790,654
Receivables from exchange transactions	21	26,154,225	31,113,935
Receivables from non-exchange transactions	22	21,836,896	16,476,719
Unpaid Conditional Government Grants and Receipts	10	207,963	6,578,525
Operating Lease Asset	23	107,874	18,259
Taxes	12	3,275,678	7,812,276
Current Portion of Long-term Receivables	19	39,578	76,842
Current Investment	18	5,182,465	-
Cash and Cash Equivalents	24	98,627,763	49,177,044
<b>Total Assets</b>		<b>984,396,330</b>	<b>909,059,315</b>

# BITOU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>266,779,627</b>	<b>263,503,474</b>
<b>Taxation Revenue</b>		<b>102,203,357</b>	<b>96,886,435</b>
Property taxes	25	102,203,357	96,886,435
<b>Transfer Revenue</b>		<b>142,069,816</b>	<b>137,782,760</b>
Government Grants and Subsidies-capital	26	34,103,625	47,882,956
Government Grants and Subsidies	26	106,849,574	86,994,485
Public Contributions and Donations		1,116,616	2,905,319
<b>Other Revenue</b>		<b>22,506,455</b>	<b>28,834,280</b>
Actuarial Gain	4	648,630	222,436
Fines		21,857,825	28,611,844
<b>Revenue from Exchange Transactions</b>		<b>222,776,805</b>	<b>211,651,790</b>
Service Charges	28	201,180,558	186,701,753
Rental of Facilities and Equipment		1,508,401	1,347,280
Interest Earned - external investments		6,147,470	3,365,138
Interest Earned - outstanding debtors		3,911,533	3,641,102
Agency Services		1,309,784	1,147,129
Other Income	29	8,670,460	15,395,338
Licences and Permits		48,598	54,049
<b>Total Revenue</b>		<b>489,556,433</b>	<b>475,155,264</b>
<b>EXPENDITURE</b>			
Employee related costs	30	134,541,266	131,049,328
Remuneration of Councillors	31	4,766,501	4,710,310
Debt Impairment	32	24,404,123	28,166,537
Collection Cost		613,496	880,066
Depreciation and Amortisation	33	18,881,934	16,233,462
Impairments/Write-Offs	34	3,172,949	13,603,155
Repairs and Maintenance		12,794,206	12,228,091
Actuarial losses	4	97,651	3,686,360
Finance Charges	35	21,176,610	19,308,541
Bulk Purchases	36	84,459,061	76,399,870
Stock Adjustments		46,345	
Contracted services		21,912,595	14,224,153
Grants and Subsidies		3,043,130	1,948,214
General Expenses	37	105,939,669	88,378,698
<b>Total Expenditure</b>		<b>435,849,538</b>	<b>410,816,785</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>53,706,895</b>	<b>64,338,479</b>

# BITOU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R
<b>2013</b>				
<b>Balance at 1 JULY 2013</b>		<b>5,000,000</b>	<b>526,491,876</b>	<b>531,491,876</b>
Correction of error	<b>38.2</b>	-	39,697,414	39,697,414
<b>2014</b>				
<b>Restated Balance at 1 JULY 2013</b>	<b>38.2</b>	<b>5,000,000</b>	<b>566,189,290</b>	<b>571,189,290</b>
Net Surplus for the year		-	64,338,479	64,338,479
Transfer from CRR		(5,000,000)	5,000,000	-
Transfer to CRR		7,500,000	(7,500,000)	-
<b>Restated Balance at 30 JUNE 2014</b>	<b>38.2</b>	<b>7,500,000</b>	<b>628,027,769</b>	<b>635,527,769</b>
<b>2015</b>				
Net Surplus for the year		-	53,706,895	53,706,895
Transfer from CRR		(14,114,541)	14,114,541	-
Transfer to CRR		31,614,541	(31,614,541)	-
<b>Balance at 30 JUNE 2015</b>		<b>25,000,000</b>	<b>664,234,664</b>	<b>689,234,664</b>

# BITOU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		322,682,856	280,790,160
Government		161,973,970	122,587,376
Interest		10,059,003	7,006,240
<b>Payments</b>			
Suppliers and employees		(365,923,592)	(319,306,637)
Finance charges	35	(21,176,610)	(19,308,541)
<b>Cash generated by operations</b>	39	<b>107,615,627</b>	<b>71,768,598</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(55,212,473)	(69,864,595)
Purchase of Intangible Assets		(285,000)	
Decrease in non-current receivables		77,048	76,485
Decrease in non-current Investments		4,879,989	(302,476)
Increase in current Investments		(5,182,465)	
<b>Net Cash from Investing Activities</b>		<b>(55,722,901)</b>	<b>(70,090,587)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(12,514,633)	(11,738,487)
New loans raised		10,000,000	16,720,266
Increase in Consumer Deposits		72,626	308,763
<b>Net Cash from Financing Activities</b>		<b>(2,442,007)</b>	<b>5,290,542</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>49,450,719</b>	<b>6,968,554</b>
Cash and Cash Equivalents at the beginning of the year		49,177,044	42,208,490
Cash and Cash Equivalents at the end of the year	40	98,627,763	49,177,044
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>49,450,719</b>	<b>6,968,554</b>

**BITOU MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2015**

**BITOU LOCAL MUNICIPALITY**

		ORIGINAL		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
Ref.		R	R	R	R	BUDGET
						R
<b>STATEMENT OF FINANCIAL POSITION</b>						
Total current assets	C1	161,167,000	(27,845,000)	133,322,000	158,886,423	25,564,423
Total non- current assets	C2	791,481,000	2,447,000	793,928,000	825,509,908	31,581,908
Total current liabilities	C3	75,693,000	19,061,000	94,754,000	92,404,050	(2,349,950)
Total non- current liabilities	C4	211,872,000	(11,539,000)	200,333,000	202,757,616	2,424,616
<b>Total Net Assets</b>		<b>665,083,000</b>	<b>-32,920,000</b>	<b>632,164,000</b>	<b>689,234,664</b>	<b>57,071,664</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

*Grap Reporting Framework*

**Revenue**

Property taxes	C5	110,313,734	(7,904,734)	102,409,000	102,203,357	(205,643)
Government Grants and Subsidies-Capital	C6	27,214,000	12,496,000	39,710,000	34,103,625	(5,606,375)
Government Grants and Subsidies	C7	116,966,000	(14,297,134)	102,668,866	106,849,574	4,180,708
Public Contributions and Donations		860,410	1,056,058	1,916,468	1,116,616	(799,852)
Actuarial Gain		0	-	-	648,630	648,630
Fines	C8	5,300,000	25,290,600	30,590,600	21,857,825	(8,732,775)
Service Charges	C9	207,205,893	(5,682,619)	201,523,274	201,180,558	(342,716)
Rental of Facilities and Equipment		1,322,400	(1,810)	1,320,590	1,508,401	187,811
Interest Earned - external investments		2,639,440	1,271,600	3,911,040	6,147,470	2,236,430
Interest Earned - outstanding debtors		3,484,800	(774,062)	2,710,738	3,911,533	1,200,795
Agency Services		1,438,720	(353,484)	1,085,236	1,309,784	224,548
Other Income		5,325,640	310,599	5,636,239	8,670,460	3,034,221
Licences and Permits		73,500	(30,000)	43,500	48,598	5,098
Internal Recoveries		40,051,046	-	40,051,046	40,051,046	-
<b>Total Revenue</b>		<b>522,195,583</b>	<b>11,381,014</b>	<b>533,576,597</b>	<b>529,607,479</b>	<b>(3,969,118)</b>

**Expenditure**

Employee related costs	C10	145,380,938	(574,869)	144,806,069	140,752,925	(4,053,144)
Remuneration of Councillors		5,032,400	14,700	5,047,100	4,766,501	(280,599)
Debt Impairment	C11	15,920,000	20,369,451	36,289,451	24,404,123	(11,885,328)
Collection Cost		787,500	-	787,500	613,496	(174,004)
Depreciation and Amortisation	C12	22,820,875	(4,265,805)	18,555,070	18,881,934	326,864
Impairments/Write-Offs		0	-	-	3,172,949	3,172,949
Repairs and Maintenance		15,868,736	(129,913)	15,738,823	12,477,299	(3,261,524)
Actuarial losses		0	-	-	97,651	97,651
Finance Charges		13,836,740	521,167	14,357,907	14,463,951	106,044
Bulk Purchases	C13	79,354,487	-	79,354,487	84,459,061	5,104,574
Stock Adjustments		0	-	-	46,345	46,345
Contracted services	C14	20,218,992	4,360,515	24,579,507	21,912,595	(2,666,912)
Grants and Subsidies		2,240,000	1,480,000	3,720,000	3,043,130	(676,870)

**BITOU MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2015**

		ORIGINAL		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
	Ref.	R	R	R	R	BUDGET
General Expenses	C15	126,214,428	(12,780,520)	113,433,908	106,757,576	(6,676,332)
Loss on Disposal of PPE		80,000	-	80,000	0	(80,000)
Internal Charges		40,051,046	-	40,051,046	40,051,046	-
<b>Total Expenditure</b>		<b>487,806,142</b>	<b>8,994,726</b>	<b>496,800,868</b>	<b>475,900,584</b>	<b>(20,900,284)</b>
Transfers recognised-operational						
<b>Net Surplus for the year</b>		<b>34,389,441</b>	<b>2,386,288</b>	<b>36,775,729</b>	<b>53,706,895</b>	<b>16,931,166</b>

**National Treasury Reporting Framework**

**Revenue**

Property rates		110,314,000	-7,905,000	102,409,000	102,203,357	-205,643
Service charges		220,224,000	28,750,000	248,974,000	201,180,558	-47,793,442
Investment revenue		2,639,000	1,272,000	3,911,000	6,147,470	2,236,470
Transfers recognised-operational		116,966,000	-15,004,000	101,962,000	106,849,574	4,887,574
Other own revenue		17,806,000	26,204,000	44,010,000	79,122,895	35,112,895
<b>Total Revenue (excluding capital transfers)</b>		<b>467,949,000</b>	<b>33,317,000</b>	<b>501,266,000</b>	<b>495,503,854</b>	<b>(5,762,146)</b>

**Expenditure**

Employee cost		145,381,000	(575,000)	144,806,000	140,752,925	(4,053,075)
Remuneration of councillors		5,032,000	15,000	5,047,000	4,766,501	(280,499)
Depreciation & asset impairment		22,821,000	(4,266,000)	18,555,000	18,881,934	326,934
Finance charges		13,837,000	521,000	14,358,000	14,463,951	105,951
Transfers and grants		2,700,000	1,020,000	3,720,000	3,043,130	(676,870)
Other expenditure		271,003,000	46,711,000	317,714,000	293,992,142	(23,721,858)
<b>Total Expenditure</b>		<b>460,774,000</b>	<b>43,426,000</b>	<b>504,200,000</b>	<b>475,900,584</b>	<b>(28,299,416)</b>
<b>Surplus</b>		<b>7,175,000</b>	<b>(10,109,000)</b>	<b>(2,934,000)</b>	<b>19,603,270</b>	<b>22,537,270</b>
Transfers recognised-capital		27,214,000	12,496,000	39,710,000	34,103,625	(5,606,375)
<b>Surplus for the year</b>		<b>34,388,000</b>	<b>2,387,000</b>	<b>36,775,000</b>	<b>53,706,895</b>	<b>16,931,895</b>

**CASH FLOW STATEMENT**

Net Cash from Operating Activities	C16	82,470,000	(7,123,000)	75,347,000	107,615,627	32,268,627
Net Cash from Investing Activities	C17	(44,977,000)	(15,676,000)	(60,653,000)	(55,722,901)	4,930,099
Net Cash from Financing Activities		(3,285,000)	1,400,000	(1,885,000)	(2,442,007)	(557,007)
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>34,209,000</b>	<b>(21,399,000)</b>	<b>12,809,000</b>	<b>49,450,719</b>	<b>36,641,719</b>

**OPERATING EXPENDITURE BY VOTE**

Community Services		154,968,343	4,987,270	159,955,613	159,943,775	(11,838)
Corporate Services		23,632,857	3,060,177	26,693,034	22,236,499	(4,456,535)
Council		15,497,571	2,322,303	17,819,874	13,082,434	(4,737,440)
Financial Services		60,646,936	(3,037,669)	57,609,267	52,706,514	(4,902,753)
Strategic Services		24,630,325	(1,854,462)	22,775,863	19,739,367	(3,036,496)
Office of the Municipal Manager		16,412,323	(2,898,663)	13,513,660	12,129,022	(1,384,638)
Municipal Services and Infrastructure Development		192,017,787	6,415,770	198,433,557	196,062,972	(2,370,585)
		<b>487,806,142</b>	<b>8,994,726</b>	<b>496,800,868</b>	<b>475,900,584</b>	<b>(20,900,284)</b>

**CAPITAL EXPENDITURE BY VOTE**

**BITOU MUNICIPALITY**  
**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2015**

		ORIGINAL		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS	BUDGET	ACTUAL	VS
	Ref.	R	R	R	R	BUDGET
						R
Community Services	C18	10813772	4,805,786	15,619,558	13,195,573	2,423,985
Corporate Services		0	291,980	291,980	291,959	21
Council		0	366,855	366,855	286,854	80,001
Financial Services		2483206	(756,830)	1,726,376	1,329,407	396,969
Municipal Services and Infrastructure Development	C19	32408824	12,230,920	44,639,744	40,393,675	4,246,069
		<b>45,705,802</b>	<b>16,938,711</b>	<b>62,644,513</b>	<b>55,497,469</b>	<b>7,147,044</b>

*Refer to note 55 for explanations of material variances between the original budget and final budget.*

*Refer to note 56 for explanations of material variances between actual amounts and the final budget.*

*Material variances are considered as variances larger than R4.0 million*



## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

#### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	<u>Changes in Measurement Basis Following Initial Adoption of Standards of GRAP</u>	

# BITOU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	<p>This Directive can be applied when a Municipality elects to change the measurement basis selected for certain assets on the initial adoption of Standards of GRAP</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement basis.</p>	
<b>GRAP 18</b> <b>(Original – Feb 2011)</b>	<b>Segment Reporting</b> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<b>Related Party Disclosure</b> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<b>Service Concession Arrangements: Grantor</b> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>IGRAP 17</b>	<b><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</u></b> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Under Common Control</b> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p>	<b>1 April 2015</b>

**BITOU MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	No significant impact expected as any such transactions or events are expected in the foreseeable future.	
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

<b>GRAP 109</b>	<b>Accounting by Principles and Agents</b> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.  No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	<b>Unknown</b>
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

#### 1.9. RESERVES

##### 1.9.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

#### 1.10. LEASES

##### 1.10.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

### **1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

### **1.14. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### **1.14.1 Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.3 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.14.5 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.14.6 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.15. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

**1.16. PROPERTY, PLANT AND EQUIPMENT**

**1.16.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.16.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.16.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class & Type	Expected Useful Life
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#### **Water Reservoirs & Reticulation**

Boreholes	13-100
Connections	15-65
Dams	95
Reservoirs	8-100
Reticulation	20-101
Pump station	15-50
Water Treatment Works	15

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### Community Assets

Civic Buildings	30-60
Libraries	10-100
Parks & Gardens	15-40
Recreation Grounds	5-100

#### Land and Buildings

Buildings	8-100
Land	Indefinite

#### Other Assets

Office Equipment	3-30
Other Land & Buildings	10
Other Motor Vehicles	4-30
Plant and Equipment	1-30
Security Measures	5-30
Specialised Vehicles	8-30

#### Leased Assets

Leased Assets	3-6
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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.16.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

## 1.17. INTANGIBLE ASSETS

### 1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- Arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

### 1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

#### 1.18. INVESTMENT PROPERTY

##### 1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

##### 1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

##### 1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

**1.18.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

**1.19 HERITAGE ASSETS**

**1.19.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.19.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.19.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.19.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

#### 1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

##### 1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying

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amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.20.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.21. INVENTORIES**

### **1.21.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

## **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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**1.22.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.22.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.22.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.22.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.22.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.22.2.4 Non-Current Investments**

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.22.3 De-recognition of Financial Instruments**

**1.22.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.22.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.22.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.23 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.23.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**1.23.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### 1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

## 1.24. REVENUE

### 1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.24.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.



## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### 1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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- both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

**1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

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**1.31.1 Post-retirement medical obligations and, Long service awards**

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.31.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.31.3 Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### **1.31.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.31.7 Revenue Recognition**

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

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**1.31.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.31.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.31.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

**1.31.11 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.31.12 Provision for Clearing of Alien Vegetation**

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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**1.34. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.35. TAXATION**

**1.35.1 Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/ (assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

**1.35.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

**1.35.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity



<b>2</b>	<b>NET ASSET RESERVES</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Capital Replacement Reserve	25,000,000	7,500,000
		<u>25,000,000</u>	<u>7,500,000</u>
<b>3</b>	<b>LONG-TERM LIABILITIES</b>		
	Annuity Loans - At amortised cost	130,033,151	132,227,328
	Capitalised Lease Liability - At amortised cost	209,572	530,030
		<b>130,242,723</b>	<b>132,757,358</b>
	Current Portion transferred to Current Liabilities	<b>(10,254,978)</b>	<b>(12,212,449)</b>
	Annuity Loans - At amortised cost	(10,210,375)	(11,891,991)
	Capitalised Lease Liability - At amortised cost	(44,603)	(320,458)
	<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>119,987,745</b>	<b>120,544,910</b>

For detail of the carrying amounts of the loans - see Appendix A

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year

Payable within two to five years

Payable after five years

**Minimum  
annuity payments**

**Less:** Future finance obligations

**Present value of annuity obligations**

**Development Bank Loans**

Various structured loans have been taken up with DBSA, with an original value totalling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal instalments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12% . The loan is unsecured.

**First National Bank**

A loan amounting to R3,400,000 has been taken up from First National Bank. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rate applicable to this loan amounts to 10.56%.The loan is unsecured

**Standard Bank**

Nine loans originally amounting to a total of R76,290 million had been taken up from Standard bank. These loans will be paid back 6 monthly on a "fixed capital plus interest" basis over a period which varies between 5 and 10 years, with maturity dates from 30/06/2018 to 30/06/2023 respectively. Interest rates applicable to these loans amounted to 11.26% and 10.71% respectively.The loan is unsecured.

A Zero Coupon investment to establish a Sinking Fund, amounted to R 5 182 465 (2014: R4 879 989 ) has been invested with ABSA to serve as a contractual collateral on a loan (loan WC 13665) from Development Bank of Southern Africa:-see also Note 18

**Nedbank**

A new loan amounting to R10 000,000 has been taken up from Nedbank. This loan will be paid monthly on equal instalments based on a fixed interest rate over a ten year period with maturity date of 30/06/2025. Interest rate applicable to this loan amounts to 11.81%.The loan is unsecured.

The fair value of Long- Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year

Payable within two to five years

Payable after five years

**Minimum  
lease payments**

**Less:** Future finance obligations

**Present value of lease obligations**

Leases are secured by property, plant and equipment - Note 13

The municipality has entered into lease agreement with Avis for motor vehicle rentals and rental agreements for photocopier machines The rental periods vary between 3 and 5 years, starting 1 July 2010. Rental instalments are payable monthly .No escalation is applicable.

24,243,641	26,006,062
93,517,783	95,531,846
97,056,531	93,809,334
214,817,955	215,347,242
(84,784,804)	(83,119,914)
<b>130,033,151</b>	<b>132,227,328</b>

175,498	352,742
44,603	220,101
220,101	572,843
(10,529)	(42,813)
<b>209,572</b>	<b>530,030</b>

			2015 R	2014 R	
4	<b>EMPLOYEE BENEFITS</b>				
	Post Retirement Benefits - Refer to Note 4.1		79,997,002	70,143,018	
	Long Service Awards - Refer to Note 4.2		2,772,869	2,645,206	
	<b>Total Non-current Employee Benefit Liabilities</b>		<b>82,769,871</b>	<b>72,788,224</b>	
	<b><u>Post Retirement Benefits</u></b>				
	Balance 1 July		71,093,958	59,122,457	
	Contribution for the year		11,660,902	9,244,913	
	Expenditure for the year		(1,041,264)	(959,772)	
	Actuarial Loss/(Gain)		(648,630)	3,686,360	
	<b>Total post retirement benefits 30 June</b>		<b>81,064,966</b>	<b>71,093,958</b>	
	<b>Less:</b> Transfer of Current Portion - Note 7		(1,067,964)	(950,940)	
	<b>Balance 30 June</b>		<b>79,997,002</b>	<b>70,143,018</b>	
	<b><u>Long Service Awards</u></b>				
	Balance 1 July.		3,083,706	3,250,052	
	Contribution for the year.		513,146	712,649	
	Expenditure for the year.		(508,990)	(656,559)	
	Actuarial Loss/(Gain)		97,651	(222,436)	
	<b>Total long service 30 June</b>		<b>3,185,513</b>	<b>3,083,706</b>	
	<b>Less:</b> Transfer of Current Portion - Note 7		(412,644)	(438,500)	
	<b>Balance 30 June</b>		<b>2,772,869</b>	<b>2,645,206</b>	
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>				
	Balance 1 July		74,177,664	62,372,509	
	Contribution for the year		12,174,048	9,957,562	
	Expenditure for the year		(1,550,254)	(1,616,331)	
	Actuarial Gain/(Loss)		(550,979)	3,463,924	
	<b>Total employee benefits 30 June</b>		<b>84,250,479</b>	<b>74,177,664</b>	
	<b>Less:</b> Transfer of Current Portion - Note 7		(1,480,608)	(1,389,440)	
	<b>Balance 30 June</b>		<b>82,769,871</b>	<b>72,788,224</b>	
4.1	<b>Post Retirement Benefits</b>				
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:				
	In-service (employee) members		421	348	
	Continuation members (e.g. Retirees, widows, orphans)		34	33	
	<b>Total Members</b>		<b>455</b>	<b>381</b>	
	The liability in respect of past service has been estimated to be as follows:				
	In-service members		64,884,127	55,890,289	
	Continuation members		16,180,839	15,203,669	
	<b>Total Liability-unfunded</b>		<b>81,064,966</b>	<b>71,093,958</b>	
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:				
		2013	2012 R	2011 R	
	In-service members	46,655,013	43,084,238	28,578,326	
	Continuation members	12,467,444	12,669,297	9,695,176	
	<b>Total Liability</b>	<b>59,122,457</b>	<b>55,753,535</b>	<b>38,273,502</b>	
		2015	2014	2013	2012
	Experience adjustments were calculated as follows	(Rm)	(Rm)	(Rm)	(Rm)
	Liabilities (Gain)/loss	-0.649	3.686	-2.638	10.020
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:				
	Bonita's;				
	LA Health				
	Samwu				
	Keyhealth.				
	Hosmed				

# EMPLOYEE BENEFITS (CONTINUE)

Key actuarial assumptions used:

## i) Rate of interest

	2015 %	2014 %
Discount rate	9.10	9.18
Health Care Cost Inflation Rate	8.23	8.31
Net Effective Discount Rate	0.80	0.81

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

## ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries .  
The SA 85-90 table was used by the actuaries for current employees

## iii) Normal retirement age

It has been assumed that in-service members will retire at an average age of 57, which then implicitly allows for expected rates of early and ill-health retirement.

	2015 R	2014 R
<b>The amount recognised in the Statement of Financial Position is as follow:</b>		
Present value of fund obligations	81,064,966	71,093,958
<b>Net liability-unfunded</b>	<b>81,064,966</b>	<b>71,093,958</b>
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	71,093,958	59,122,457
Total expenses	10,619,638	8,285,141
Current service cost (Included in Employee Cost in the Statement of Financial Performance)	5,173,936	3,836,939
Interest Cost (Included in Finance Charges in the Statement of Financial Performance)	6,486,966	5,407,974
Benefits Paid	(1,041,264)	(959,772)
Actuarial Gain/(Losses)	(648,630)	3,686,360
Present value of fund obligation at the end of the year	81,064,966	71,093,958
<b>Less:</b> Transfer of Current Portion - Note 7	(1,067,964)	(950,940)
<b>Balance 30 June</b>	<b>79,997,002</b>	<b>70,143,018</b>

## Sensitivity Analysis on the Accrued Liability in (R millions)

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	64.884	16.181	81.065	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	78.100	18.103	96.203	19
Health care inflation	-1%	54.429	14.568	68.997	(15)
Discount Rate	1%	54.584	14.592	69.176	(15)
Discount Rate	-1%	78.124	18.107	96.231	19
Post-retirement mortality	-1 year	66.934	16.802	83.736	3
Average retirement age	-1 year	69.410	16.181	85.591	6
Membership after retirement	-10%	58.325	16.181	74.506	(8)

Assumption	Change	Current service Cost (R)	Interest Cost (R)	Total	% change
<b>Central Assumption</b>		5,173,900	6,487,000	11,660,900	
Health care inflation	1%	6,402,400	7,732,500	14,134,900	21
Health care inflation	-1%	4,222,600	5,496,400	9,719,000	(17)
Discount rate	1%	4,275,400	6,111,300	10,386,700	(11)
Discount rate	-1%	6,345,700	6,892,400	13,238,100	14
Post-retirement mortality	-1 year	5,331,100	6,699,000	12,030,100	3
Average retirement age	-1 year	5,485,100	6,842,600	12,327,700	6
Withdrawal Rate	50%	4,667,800	5,969,200	10,637,000	(9)

#### 4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2015 R	2014 R
421	379

Key actuarial assumptions used:

##### i) Rate of interest

	2015 %	2014 %
Discount rate	7.98	7.87
General Salary Inflation (long-term)	7.07	7.08
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.85	0.74

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

2015 R	2014 R
3,185,513	3,083,706
<b>3,185,513</b>	<b>3,083,706</b>

Net liability-unfunded

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
<b>Total Liability-unfunded</b>	<b>3,250,052</b>	<b>2,986,411</b>	<b>3,337,464</b>

Experience adjustments were calculated as follows

	2015	2014	2013	2012
Liabilities (Gain)/loss	97,651	(222,436)	(12,137)	(975,737)

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year  
Total expenses

3,083,706	3,250,052
4,156	56,090

Current service cost	(Included in Employee Cost in the Statement of Financial Performance)
Interest Cost	(Included in Finance Charges in the Statement of Financial Performance)
Benefits Paid	

287,453	495,337
225,693	217,312
(508,990)	(656,559)

Actuarial Losses/(Gain)

97,651	(222,436)
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Present value of fund obligation at the end of the year

3,185,513	3,083,706
-----------	-----------

**Less:** Transfer of Current Portion - Note 7

(412,644)	(438,500)
-----------	-----------

**Balance 30 June**

<b>2,772,869</b>	<b>2,645,206</b>
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#### Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability (R)	% change
Central assumptions			
General salary inflation	1%	3,186,000	6
General salary inflation	-1%	3,380,000	(6)
Discount rate	1%	2,997,000	(6)
Discount rate	-1%	3,396,000	7
Average retirement age	-2yrs	2,640,000	(17)
Average retirement age	2yrs	3,826,000	20
Withdrawal rates	-50%	3,907,000	23

#### 4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

### **CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 26.77% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund has a funding level of 99.7% (30 June 2011 - 99.4%).

Contributions paid recognised in the Statement of Financial Performance

2015	2014
R	R
235,903	209,298

### **CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1 %.

Contributions paid recognised in the Statement of Financial Performance

10,876,534	9,440,558
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### **DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

462,374	524,512
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## **5 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

Provision for Cleaning of Alien Vegetation

**Total Non-current Provisions**

-	-
-	-
-	-

### **Landfill Sites**

Balance 1 July..

Unwinding of discounted interest

Additions

Expenditure for the year..

**Total provision 30 June**

**Less:** Transfer of Current Portion to Current Provisions - Note 8

**Balance 30 June**

2015	2014
R	R
1,910,462	7,850,000
100,108	(5,939,538)
1,972,033	-
-	-
<b>3,982,604</b>	<b>1,910,462</b>
(3,982,604)	(1,910,462)
-	-

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the site is as follows:

Decommission date	<b>2015</b>
Cost of rehabilitation	3,982,604

### **Clearing of Alien Vegetation**

Balance 1 July..

Contribution for the year..

Expenditure for the year..

**Total provision 30 June**

**Less:** Transfer of Current Portion to Current Provisions - Note 8

**Balance 30 June**

1,199,400	1,138,953
119,903	60,447
-	-
<b>1,319,303</b>	<b>1,199,400</b>
(1,319,303)	(1,199,400)
-	-

The current portions of the provisions for the Landfill site and the clearing of Alien Vegetation representing the possible outflow of funds in the next financial year to execute the purpose of the provisions

## **6 CONSUMER DEPOSITS**

Electricity and Water

**Total Consumer Deposits**

5,606,674	5,534,048
<b>5,606,674</b>	<b>5,534,048</b>
246,125	246,125

### **Guarantees held in lieu of Electricity and Water Deposits**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

## 7 CURRENT EMPLOYEE BENEFITS

	2015 R	2014 R
Current Portion of Post Retirement Benefits - Note 4	1,067,964	950,940
Current Portion of Long-Service Provisions - Note 4	412,644	438,500
Staff Leave	11,257,502	11,177,168
Bonuses	2,989,990	2,606,323
Pension fund shortages	-	782,105
<b>Total Current Employee Benefits</b>	<b>15,728,100</b>	<b>15,955,036</b>

The movement in current employee benefits are reconciled as follows:

### Staff Leave

Balance at beginning of year	11,177,168	8,729,139
Contribution to current portion	2,167,094	3,794,047
Expenditure incurred	(2,086,760)	(1,346,019)
<b>Balance at end of year</b>	<b>11,257,502</b>	<b>11,177,168</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

### Bonuses

Balance at beginning of year.	2,606,323	2,158,889
Contribution to current portion.	5,768,637	5,315,130
Expenditure incurred.	(5,384,970)	(4,867,697)
<b>Balance at end of year</b>	<b>2,989,990</b>	<b>2,606,323</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

### Pension fund shortages

Balance at beginning of year..	782,105	2,013,430
Contribution to current portion..	(782,105)	(1,231,325)
Expenditure incurred..	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>782,105</b>

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%. The provision amounts to the amount that the Fund requested the municipality to pay. Interest on the outstanding portion was added since February 2010.

## 8 PROVISIONS

Current Portion of Clearing Allian Vegetation -Note 4	1,319,303	1,199,400
Current Portion of Rehabilitation of Landfill-site -Note 4	3,982,604	1,910,462
<b>Total Provisions</b>	<b>5,301,907</b>	<b>3,109,862</b>

## 9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	23,208,830	28,562,577
Pre-paid electricity	249,917	148,105
Other Creditors	2,473,653	2,843,536
Payments received in advance	9,004,656	7,002,453
Retentions	4,864,031	2,918,280
<b>Total Trade Payables</b>	<b>39,801,088</b>	<b>41,474,951</b>

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

# 10 **UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

## **Unspent Grants**

Provincial and Government Grants

**Less:** Unpaid Grants

National Government Grants

## **Total Conditional Grants and Receipts**

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

	2015	2014
	R	R
	15,168,663	518,453
	15,168,663	518,453
	207,963	6,578,525
	207,963	6,578,525
	<b>14,960,699</b>	<b>(6,060,072)</b>

# 11 **UNSPENT PUBLIC CONTRIBUTIONS**

Social responsibility

Upgrade Kwano Sports field

Total Unspent Public Contributions

	104,052	245,673
	-	673,385
	<b>104,052</b>	<b>919,058</b>

## **Reconciliation of public contributions**

### **Social Responsibility**

Opening balance

Contributions received

Conditions met - Transferred to revenue

Closing balance

	245,673	245,673
	-	-
	(141,621)	-
	<b>104,052</b>	<b>245,673</b>

### **Upgrade Kwano Sport field**

Opening balance

Contributions received

Conditions met - Transferred to revenue

Closing balance

	673,385	2,858,120
	-	-
	(673,385)	(2,184,735)
	<b>-</b>	<b>673,385</b>

# 12 **TAXES**

## **VAT RECEIVABLE**

VAT Receivable

Total VAT receivable

	3,275,678	7,812,276
	<b>3,275,678</b>	<b>7,812,276</b>

## **NET VAT RECEIVABLE/(PAYABLE)**

	<b>3,275,678</b>	<b>7,812,276</b>
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VAT is receivable/payable on the cash basis.

# 13 **PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

BITOU MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13 PROPERTY, PLANT AND EQUIPMENT  
30 JUNE 2015

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses										Carrying Value		
	Restated Opening Balances	Additions	Under Construction	Write offs/De-recognition R	Disposals	Closing Balance R	Opening Balance R	Corrections	Restated Opening Balances	Depreciation R	Disposals	Closing Balances Depreciation	Impairment Opening Balance		Corrections	Restated Opening Balance
Opening Balance R	290,312,141	-	290,312,141	-	-	290,763,472	25,767,171	-	25,767,171	204,910	-	25,969,872	7,061,690	33,031,562	7,061,690	257,731,910
	248,661,322	-	248,661,322	-	-	248,661,322	-	-	-	-	-	7,059,481	-	7,059,481	7,059,481	241,601,841
	41,650,819	-	41,650,819	-	-	42,102,150	25,767,171	-	25,767,171	204,910	-	25,969,872	2,209	25,972,081	2,209	16,130,069
	545,246,632	-	545,246,632	8,874,248	-	584,343,951	133,635,540	-	133,635,540	12,369,185	-	5,957,437	140,047,287	140,047,287	444,296,664	
	74,914,325	-	74,914,325	13,769,528	-	89,295,678	15,573,866	-	15,573,866	182,650	-	57,842	17,344,605	-	17,344,605	71,951,274
	156,053,129	-	156,053,129	528,287	-	151,537,679	46,687,970	-	46,687,970	447,175	-	3,864,691	47,294,453	-	47,294,453	104,243,225
	1,306,993	-	1,306,993	8,691,553	-	9,998,546	9,543	-	9,543	8,027	-	-	17,570	-	17,570	9,980,976
	106,304,357	-	106,304,357	261,689	-	105,788,927	27,771,283	-	27,771,283	213,067	-	485,225	29,416,733	-	29,416,733	80,372,195
	180,681,785	-	180,681,785	2,464,951	-	183,900,792	43,592,846	-	43,592,846	393,079	-	1,549,678	45,973,926	-	45,973,926	137,926,865
	25,986,043	-	25,986,043	13,836,087	-	39,822,129	39,822,129	-	39,822,129	1	-	1	-	-	1	39,822,129
	44,362,603	-	44,362,603	2,285,082	-	44,794,353	13,165,962	-	13,165,962	1,498,264	-	1,935,975	12,728,251	-	12,728,251	32,066,103
	2,561,985	-	2,561,985	-	-	2,561,985	2,108,888	-	2,108,888	84,825	-	2,193,714	-	-	2,193,714	388,272
	17,839,726	-	17,839,726	-	-	18,028,804	1,348,618	-	1,348,618	533,736	-	1,882,354	-	-	1,882,354	16,146,450
	18,692,388	-	18,692,388	2,285,082	-	19,831,466	6,721,480	-	6,721,480	668,081	-	1,109,533	6,280,027	-	6,280,027	13,551,429
	1,960,372	-	1,960,372	-	-	1,634,095	919,727	-	919,727	86,662	-	286,360	720,030	-	720,030	914,066
	3,308,132	-	3,308,132	-	-	2,738,013	2,067,248	-	2,067,248	124,960	-	540,082	1,652,127	-	1,652,127	1,055,886
	71,135,811	-	71,135,811	-	-	638,561	312,888	-	312,888	312,888	-	951,449	-	-	951,449	184,362
	701,133	-	701,133	-	-	288,636	248,486	-	288,636	248,486	-	537,122	-	-	537,122	164,011
	434,678	-	434,678	-	-	434,678	349,324	-	349,324	64,402	-	414,326	-	-	414,326	20,351
	32,263,287	-	32,263,287	4,051,287	625,082	35,574,559	15,760,427	-	15,760,427	2,397,987	-	17,303,978	-	-	17,303,978	18,270,582
	11,702,850	-	11,702,850	1,767,037	-	13,469,887	6,465,094	-	6,465,094	1,102,735	-	336,742	7,104,775	-	7,104,775	6,021,777
	4,174,026	-	4,174,026	1,267,908	-	5,441,934	2,658,650	-	2,658,650	373,453	-	2,900,358	-	-	2,900,358	2,100,988
	432,029	-	432,029	196,735	-	628,764	319,277	-	319,277	45,696	-	45,696	310,988	-	310,988	383,072
	6,270,769	-	6,270,769	180,685	-	6,451,464	1,416,130	-	1,416,130	291,367	-	1,707,480	-	-	1,707,480	4,743,984
	9,613,225	-	9,613,225	638,913	-	10,202,316	4,893,961	-	4,893,961	592,587	-	16,996	5,272,606	-	5,272,606	4,747,710
	10,389	-	10,389	-	-	10,389	7,315	-	7,315	455	-	7,770	-	-	7,770	2,619
	913,320,474	-	913,320,474	16,689,765	38,522,705	11,295,715	188,967,661	-	188,967,661	16,783,234	-	556,320	8,191,528	-	204,062,527	752,549,619

30 JUNE 2014

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses							Carrying Value							
	Restated Opening Balances	Additions	Under Construction	Write offs	Impairments	Closing Balance	Opening Balance	Corrections- see note 38	Restated Opening Balances	Depreciation		Disposals	Write offs	Impairment Balance	Corrections- see note 38	Restated Opening Balances	Closing Balance	
	R	R	R	R		R	R	R	R	R	R	R	R		R	R		
246,080,541	51,330,650	297,411,191	1,355,060	802,244	9,256,354	-	290,312,141	25,926,397	-369,224	25,557,173	229,055	21,266	-	4,959,770	2,101,920	7,061,690	32,826,652	257,485,488
202,954,421	52,807,148	255,761,569	1,159,254	802,244	9,061,745	-	248,661,322	-	-	25,557,173	-	-	-	4,957,561	2,101,920	7,059,481	7,059,481	241,601,841
43,126,120	-1,476,498	41,649,622	195,806	-	194,609	-	41,650,819	25,926,397	-369,224	25,557,173	229,055	21,266	-	2,209	-	15,883,644	25,767,171	15,883,644
488,276,457	1,415,290	489,691,743	8,794,235	46,760,655	-	-	545,246,632	132,080,301	-11,567,298	120,513,003	13,122,535	-	-	-	-	133,635,539	133,635,539	411,611,092
71,256,579	-287,990	70,968,597	2,007,441	1,938,298	-	-	74,914,325	13,868,380	301,413	13,868,793	1,704,103	-	-	-	-	15,573,896	59,340,429	59,340,429
140,011,966	14,003,269	154,015,235	1,986,144	51,760	-	-	165,053,129	39,224,715	3,289,273	42,513,988	4,173,982	-	-	-	-	46,687,970	109,385,159	109,385,159
429,387	2	429,387	-	877,607	-	-	1,306,993	1,518	-332	1,486	8,057	-	-	-	-	9,543	1,297,449	1,297,449
91,620,514	-3,201,229	88,419,284	92,905	17,792,167	-	-	106,304,367	29,636,344	-4,283,461	25,352,893	2,418,399	-	-	-	-	27,771,283	78,533,074	78,533,074
184,820,095	-11,993,636	172,826,459	4,707,745	3,147,581	-	-	180,661,785	49,570,203	-10,793,090	38,777,113	4,815,733	-	-	-	-	43,592,846	137,088,939	137,088,939
137,917	2,894,874	3,032,791	-	22,953,252	-	-	25,986,043	79,141	-81,401	-2,260	2,261	-	-	-	-	1	25,986,042	25,986,042
43,058,197	-4,767,177	38,291,020	403,277	2,360,174	-	-	44,362,603	12,347,238	-494,550	11,852,688	1,313,274	-	-	-	-	13,165,962	13,165,962	31,196,643
2,514,235	47,760	2,561,995	-	-	-	-	2,561,995	2,150,297	-101,495	2,048,802	60,087	-	-	-	-	2,108,888	453,097	453,097
17,523,196	-	17,741,951	64,775	-	-	-	17,839,726	680,566	129,849	838,423	519,995	-	-	-	-	1,348,418	16,491,109	16,491,109
18,692,388	-	18,692,388	-	-	-	-	18,692,388	-	6,721,479	6,721,479	-	-	-	-	-	6,721,480	6,721,480	11,970,910
23,018,766	-	23,757,070	-	-	-	-	1,960,372	9,498,135	-9,311,600	186,535	733,192	-	-	-	-	919,727	1,040,645	1,040,645
3,308,132	-	3,308,132	-	-	-	-	3,308,132	2,067,248	2,067,248	2,067,248	-	-	-	-	-	2,067,248	2,067,248	1,240,884
2,792,922	-1,977,377	815,545	320,266	-	-	-	1,135,811	1,755,835	-1,977,378	-221,543	860,104	-	-	-	-	638,561	638,561	497,251
1,517,445	-1,517,445	-	-	-	-	-	-	1,155,882	-1,517,445	-361,563	381,764	-	-	-	-	-	-	-
681,908	-283,482	418,546	282,587	-	-	-	701,133	320,165	-263,363	58,802	231,804	-	-	-	-	288,636	412,497	412,497
593,569	-186,570	396,999	37,679	-	-	-	434,678	279,988	-186,570	83,418	266,506	-	-	-	-	349,924	349,924	64,754
25,660,718	473,800	26,134,518	9,068,684	-	1,598,353	1,341,561	32,263,288	16,095,504	388,462	16,483,965	1,554,444	1,145,734	1,132,250	-	-	15,760,427	15,760,427	16,502,859
10,173,074	351,785	10,524,859	2,274,604	-	845,232	251,381	11,702,850	6,229,746	216,102	6,445,848	856,908	615,346	222,316	-	-	6,465,094	5,237,757	5,237,757
4,324,471	122,105	4,446,576	427,291	-	538,530	159,222	4,174,026	2,794,858	33,562	2,828,420	325,793	371,481	124,083	-	-	2,658,650	1,515,375	1,515,375
501,726	-1	501,725	-	9,696	-	-	492,029	277,525	-	277,525	48,504	7,752	-	-	-	319,272	172,752	172,752
4,170,619	1	4,170,620	2,375,650	-	75,700	200,000	6,270,770	1,506,649	-130,404	1,376,245	253,938	43,528	170,526	-	-	1,416,130	4,854,640	4,854,640
6,482,439	-	6,482,439	3,990,939	-	129,195	730,958	9,613,225	5,280,436	289,202	5,569,638	67,275	107,627	615,325	-	-	4,893,981	4,719,263	4,719,263
10,389	-	10,389	-	-	-	-	10,389	6,290	-	6,290	1,025	-	-	-	-	7,315	7,315	3,073
805,868,835	46,475,166	852,344,017	19,941,522	49,923,073	10,854,707	1,341,561	913,320,475	188,205,275	-14,019,988	174,185,287	17,079,412	1,167,000	1,132,250	-	-	196,027,141	196,027,141	717,293,333



13	<b>Assets pledged as security:</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	All the assets (Vehicles and Photostat Machines) which are obtained by financial leases are pledged as security. The total carrying amount of these assets is R184 362 (2014: R497 250)		
	<b>Impairment of property, plant and equipment for the year</b>		
	Impairment charges on Property, Plant and Equipment recognised in the Statement of Financial Performance	-	7,061,690
	<b>Capital commitments</b>		
	Capital commitments applicable- see note 46	44,859,138	32,728,113
	<b>Effect of change in accounting estimates</b>		
	<b>Change in estimates in terms of GRAP 3</b>		
	The useful life's of the following assets were adjusted for further periods		
	Depreciation after adjustments		
	Buildings	20,364.23	
	Office equipment	205,796.25	
	Other Land and Buildings	455.10	
	Other Motor Vehicles	15,945.37	
	Plant & equipment	159,416.53	
	Security Measures	13,337.65	
	Specialised Vehicles	61,706.10	
		<b>477,021</b>	
	Depreciation before adjustments		
	Buildings	40,756.34	
	Office equipment	303,666.57	
	Other Land and Buildings	1,024.69	
	Other Motor Vehicles	34,535.18	
	Plant & equipment	218,944.96	
	Security Measures	25,569.01	
	Specialised Vehicles	63,310.38	
		<b>687,807</b>	
14	<b>INVESTMENT PROPERTY</b>		
	<b>Net Carrying amount at 1 July</b>	<b>72,452,368</b>	<b>72,455,081</b>
	Cost	74,973,092	74,973,092
	Accumulated Depreciation	(1,704,509)	(1,701,796)
	Accumulated Impairments	(816,215)	(816,215)
	Depreciation for the year	(26,869)	(2,713)
	Impairments for the year		
	<b>Net Carrying amount at 30 June</b>	<b>72,425,499</b>	<b>72,452,368</b>
	Cost	74,973,092	74,973,092
	Accumulated Depreciation	(1,731,378)	(1,704,509)
	Accumulated Impairments	(816,215)	(816,215)
	<b>Change in estimates in terms of GRAP 3</b>		
	The useful life's of properties were adjusted for further periods		
	Depreciation after adjustments	-	2,713
	Depreciation before adjustments	-	168,107
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	1,354,023	1,222,523
15	<b>INTANGIBLE ASSETS</b>		
	<b>Computer Software</b>		
	<b>Net Carrying amount at 1 July</b>	<b>295,818</b>	<b>4,108,085</b>
	Cost	591,263	5,981,468
	Accumulated Amortisation	(295,445)	(1,873,383)
	Written-off	-	(3,706,136)
	Additions	285,000	
	Amortisation (Included in Depreciation and Amortisation in the Statement of Financial Performance)	(99,797)	(106,131)
	<b>Net Carrying amount at 30 June</b>	<b>481,021</b>	<b>295,818</b>
	Cost	876,263	591,263
	Accumulated Amortisation	(395,242)	(295,445)
	No intangible asset has an indefinite useful life.		
	There are no internally generated intangible assets at reporting date.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		

		2015 R	2014 R
<b>Change in estimates in terms of GRAP 3</b>			
The useful life's of assets were adjusted for further periods			
Amortisation after adjustments		5,336	6,978
Amortisation before adjustments		11,605	22,658
<b>16</b>	<b>HERITAGE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>		<b>35,193</b>	<b>35,193</b>
Acquisitions		-	-
Disposals		-	-
Impairments		-	-
Reversal of Impairment losses		-	-
Transfers from Property, Plant and equipment		-	-
<b>Net Carrying amount at 30 June</b>		<b>35,193</b>	<b>35,193</b>
Cost		35,193	35,193
Accumulated Impairment		-	-
Heritage Assets consists of historical land and the Mayoral chain.			
The assets were measured at its cost.			
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.			
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.			
There are no Heritage Assets pledged as security for liabilities			
<b>17</b>	<b>CAPITALISED RESTORATION COST</b>		
<b>Net Carrying amount at 1 July</b>		-	-
Depreciation		(1,972,033)	-
Impairment		-	-
<b>Net Carrying amount at 30 June</b>		-	-
Cost..		1,972,033	-
Addition		(1,972,033)	-
Accumulated Depreciation..		-	-
Accumulated Impairments..		-	-
Refuse tip-site financed by way of a provision - Refer to note 5		-	-
<b>18 18.1</b>	<b>NON - CURRENT INVESTMENTS</b>		
Fixed Deposits			4,879,989
Total Non- Current Investments		-	<b>4,879,989</b>
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at a fixed rate of 23.27 % per annum.			
A Zero Coupon investment to establish a Sinking Fund, amounted to R 5 182 465 (2014: R4879 989) has been invested with ABSA to serve as a contractual collateral on a loan (loan WC 13665) from Development Bank of Southern Africa:-see also Note 3			
<b>18.2</b>	<b>CURRENT INVESTMENTS</b>		
Fixed Deposits		5,182,465	-
Total Non- Current Investments		<b>5,182,465</b>	-
<b>19</b>	<b>LONG-TERM RECEIVABLES</b>		
Housing selling scheme loans		58,154	135,201
<b>Less</b> : Current portion transferred to current receivables		(39,578)	(76,842)
<b>Total Long- Term Receivables</b>		<b>18,576</b>	<b>58,360</b>
Prior to the effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.			
The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.			
The terms granted to these loans have not been more favourable that would be expected in market terms			

20	<b>INVENTORY</b>		<b>2015</b>	<b>2014</b>
			<b>R</b>	<b>R</b>
	Consumables at store - At cost		3,370,833	2,661,161
	Water – at cost		83,149	129,494
	<b>Total Inventory</b>		<b>3,453,981</b>	<b>2,790,654</b>
	Consumable stores materials written down due to losses as identified during the annual stores counts.			<b>2,114</b>
	Consumable stores materials surpluses identified during the annual stores counts.		-	
	Inventory recognised as an expense during the year		<b>2,773,208</b>	<b>2,166,924</b>
21	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
		<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Nett Balances</b>
	<b>As at 30 June 2015</b>			
	Service Receivables	69,025,470	43,456,930	25,568,540
	Electricity	15,492,879	4,335,422	11,157,457
	Water	21,259,701	13,064,029	8,195,672
	Sewerage	17,446,406	12,449,447	4,996,959
	Sundries	1,826,444	3,014,526	(1,188,082)
	Refuse Removal	13,000,039	10,593,506	2,406,533
	Housing Rentals	694,653	108,967	585,685
	<b>Total</b>	<b>69,720,122</b>	<b>43,565,897</b>	<b>26,154,225</b>
	<b>As at 30 June 2014</b>			
	Service Receivables	67,128,251	36,240,534	30,887,717
	Electricity	13,658,794	3,716,959	9,941,835
	Water	19,227,156	10,701,591	8,525,565
	Sewerage	17,997,776	11,064,801	6,932,975
	Sundries	4,547,529	2,347,889	2,199,640
	Refuse Removal	11,696,996	8,409,294	3,287,702
	Housing Rentals	578,862	352,644	226,218
	<b>Total</b>	<b>67,707,113</b>	<b>36,593,178</b>	<b>31,113,935</b>
	<b>Ageing of Receivables from Exchange Transactions:</b>		<b>2015</b>	<b>2014</b>
			<b>R</b>	<b>R</b>
	<b><u>(Electricity): Ageing</u></b>			
	Current (0 - 30 days)		1,038,877	9,237,036
	31 - 60 Days		8,500,459	1,025,464
	61 - 90 Days		1,331,523	492,664
	+ 90 Days		4,622,020	2,903,630
	<b>Total</b>		<b>15,492,879</b>	<b>13,658,794</b>
	<b><u>(Water): Ageing</u></b>			
	Current (0 - 30 days)		1,201,124	4,203,019
	31 - 60 Days		4,030,363	1,137,201
	61 - 90 Days		1,162,232	656,580
	+ 90 Days		14,865,982	13,230,356
	<b>Total</b>		<b>21,259,701</b>	<b>19,227,156</b>
	<b><u>(Sewerage): Ageing</u></b>			
	Current (0 - 30 days)		287,229	2,256,805
	31 - 60 Days		2,835,882	451,301
	61 - 90 Days		405,173	381,849
	+ 90 Days		13,918,122	14,907,822
	<b>Total</b>		<b>17,446,406</b>	<b>17,997,776</b>
	<b><u>(Sundries): Ageing</u></b>			
	Current (0 - 30 days)		(1,539,743)	516,220
	31 - 60 Days		363,645	208,434
	61 - 90 Days		283,737	148,359
	+ 90 Days		2,718,805	3,674,516
	<b>Total</b>		<b>1,826,444</b>	<b>4,547,529</b>
	<b><u>(Refuse): Ageing</u></b>			
	Current (0 - 30 days)		234,210	1,439,311
	31 - 60 Days		1,922,566	322,545
	61 - 90 Days		368,465	303,201
	+ 90 Days		10,474,798	9,631,939
	<b>Total</b>		<b>13,000,039</b>	<b>11,696,996</b>

**(Housing): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

2015 R	2014 R
2,418	52,912
74,290	13,774
13,424	13,456
604,520	498,720

**Total**

**694,653**      **578,862**

**(Total): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

1,224,116	17,705,302
17,727,205	3,158,719
3,564,555	1,996,110
47,204,246	44,846,982

**Total**

**69,720,122**      **67,707,113**

**22 RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS****As at 30 June 2015**

Rates  
 Sundry Debtors.  
 Traffic Fines

**Gross**      **Provision for**      **Nett Balances**  
**Balances**      **Impairment**

24,540,073	9,283,576.35	15,256,496
330,092	408,154	(78,062)
34,842,559	28,184,098	6,658,461

**Total**

**59,712,724**      **37,875,828**      **21,836,896**

**As at 30 June 2014**

Rates  
 Sundry Debtors.  
 Traffic Fines

20,685,650	6,495,399.00	14,190,251
1,153,144	2,835,805	(1,682,661)
20,293,594	16,324,466	3,969,128

**Total**

**42,132,388**      **25,655,670**      **16,476,718**

**Ageing of Receivables from Non-Exchange Transactions:****(Rates): Ageing**

Current (0 - 30 days)  
 31 - 60 Days  
 61 - 90 Days  
 + 90 Days

2015 R	2014 R
2,812,318	4,727,661
5,514,607	740,956
812,396	308,831
15,400,751	14,908,203

**Total**

**24,540,073**      **20,685,650**

**Receivables impaired****2015****Total**

Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
43,565,897	37,875,828	81,441,725

**2014****Total**

**36,593,178**      **25,655,670**      **62,248,848**

**Reconciliation of Provision for Bad Debts for Receivables from Exchange and Non -Exchange transactions**

Balance at beginning of year  
 Contribution to provision  
 Bad Debts Written Off

62,248,847	39,516,958
25,765,732	29,664,315
(6,572,854)	(6,932,427)

**Balance at end of year**

**81,441,725**      **62,248,847**

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

**23 OPERATING LEASE ARRANGEMENTS****23.1 The Municipality as Lessee (Liability)****Balance on 1 July**

Movement during the year

474,554	500,925
(35,967)	(26,371)

**Balance on 30 June**

**438,587**      **474,554**

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year  
 1 to 5 Years  
 More than 5 Years

320,027	450,785
678,790	998,818
143,418	143,418

**Total Operating Lease Arrangements**

**1,142,235**      **1,593,021**

Operating leases consists of agreements for building rentals

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

## 23.2 The Municipality as Lessor (Asset)

### Balance on 1 July

Movement during the year.

### Balance on 30 June

At the Statement of Financial Position date, the municipality will receive operating lease income as follows:

Up to 1 Year

1 to 5 Years

More than 5 Years

### Total Operating Lease Arrangements

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The leases are in respect of land and buildings being leased out for several purposes.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

Leases escalate annually between 5% to 12%. Lease agreements are non-cancellable and have terms from 2 to 10 years.

Some of the leases are renewable after the lapsing of the existing lease period

2015 R	2014 R
18,259	1,094
89,615	17,165
<b>107,874</b>	<b>18,259</b>
331,723	402,370
1,206,963	1,538,685
1,555,524	1,555,524
<b>3,094,209</b>	<b>3,496,579</b>

## 24

### CASH AND CASH EQUIVALENTS

#### Assets

Call Investments Deposits

Bank Accounts

Cash Floats

82,042,578	25,764,902
16,573,665	23,400,922
11,520	11,220
<b>98,627,763</b>	<b>49,177,044</b>

### Total Cash and Cash Equivalents - Assets

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Security amounting to R 200,000 are held at Absa Bank for E- Fuel.

The municipality has the following bank accounts:

#### Current Accounts

Standard Bank George-Account Number 082599343 (Primary Bank Account)

Standard Bank George-Account Number 282032371 (Direct Deposits)

Standard Bank George-Account Number 082608288 (ACB)

Standard Bank George-Account Number 082592535 (Traffic Account)

Nedbank- Account Number 1089911513

Nedbank- Account Number 1089913079

Nedbank- Account Number 1089913974

10,168,982	24,281,082
1,624,758	3,625,573
56,752	5,967
84,098	596,559
2,726,127	-
2,496,597	-
1,965,201	-
<b>19,122,515</b>	<b>28,509,181</b>

Cash book balance at beginning of year

Cash book balance at end of year

23,400,922	31,675,416
16,573,665	23,400,922

#### Standard Bank George-Account Number 082599343 (Primary Bank Account) untill 14 December 2014

Bank statement balance at beginning of year

Bank statement balance at end of year

24,281,082	30,428,371
10,168,982	24,281,082

#### Standard Bank George-Account Number 282032371 (Direct Deposits)

Bank statement balance at beginning of year

Bank statement balance at end of year

3,625,573	653,611
1,624,758	3,625,573

#### Standard Bank George-Account Number 082592535 (Traffic Account)

Bank statement balance at beginning of year

Bank statement balance at end of year

596,559	627,180
84,098	596,559

#### Standard Bank George-Account Number 082608288 (ACB)

Bank statement balance at beginning of year

Bank statement balance at end of year

5,967	73,316
56,752	5,967

#### Nedbank- Account Number 1089911513(Primary Bank Account) since 15 December

Bank statement balance at beginning of year

Bank statement balance at end of year

-	-
2,726,127	-

#### Nedbank- Account Number 1089913079

Bank statement balance at beginning of year

Bank statement balance at end of year

-	-
2,496,597	-

#### Nedbank- Account Number 1089913974

Bank statement balance at beginning of year

Bank statement balance at end of year

-	-
1,965,201	-

**Call Investment Deposits**

Call investment deposits consist out of the following accounts:

	2015 R	2014 R
Absa Account nr 20-4897-5233	44,564	42,454
Absa Account nr 20-5009-0176	25,439	24,231
Absa Account nr 9294822970	10,618,864	10,075,437
Absa Account nr 9298544934	10,448,244	-
Standard Account nr 488-860-7000-32	5,061,831	-
Standard Account nr 488-607-7000-015	426,000	405,795
Standard Account nr 488-607-7000-035	10,079,627	-
Standard Account nr 488-607-7000-025	-	15,216,986
Standard Account nr 488-607-7000-034	10,062,423	-
Investec Account nr 1100443838499	15,112,709	-
Nedbank Account nr 03/7881052406/000065	20,162,877	-
	<b>82,042,578</b>	<b>25,764,903</b>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6 % per annum.

ABSA investment account number 2048975233 has been ceded as collateral for bond number 8043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 8044250229 to the amount of R13 700.

**25 PROPERTY RATES****Actual****Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

102,203,357	96,886,435
91,457,621	86,741,989
8,396,322	7,928,878
2,349,414	2,215,568
<b>102,203,357</b>	<b>96,886,435</b>

**Total Assessment Rates****Valuations - 1 JULY 2011****Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

20,224,300,073	20,241,519,023
971,831,000	1,019,136,000
291,447,400	284,777,400
<b>21,487,578,473</b>	<b>21,545,432,423</b>

**Total Assessment Rates**

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2012

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**26 GOVERNMENT GRANTS AND SUBSIDIES****Unconditional Grants**

Equitable Share

<b>40,946,000</b>	<b>29,614,000</b>
40,946,000	29,614,000

**Conditional Grants**

Grants and donations

<b>100,007,199</b>	<b>105,263,441</b>
100,007,199	105,263,441

**Total Government Grants and Subsidies**

<b>140,953,199</b>	<b>134,877,441</b>
--------------------	--------------------

Government Grants and Subsidies - Capital  
Government Grants and Subsidies - Operating

34,103,625	47,882,956
106,849,574	86,994,485
<b>140,953,199</b>	<b>134,877,441</b>

Revenue recognised per vote as required by Section 123 (c) of the MFMA

	2015	2014
	R	R
Community & Social Services	7,093,548	5,947,000
Electricity	11,793,068	-
Executive & Council	22,337,096	31,521,357
Budget & Treasury	5,753,440	1,900,000
Housing	60,658,966	65,127,355
Road Transport	99,800	1,140,000
Water	22,712,072	14,845,000
Sport & Recreation	-	200,000
Waste Water Management	6,437,665	13,403,355
Waste Management	3,899,368	-
Corporate Services	168,176	793,374
	<b>140,953,199</b>	<b>134,877,441</b>

The municipality does not expect any significant changes to the level of grants.

#### 26.01 Equitable share

Grants received	40,946,000	29,614,000
Conditions met - Operating	(40,946,000)	(29,614,000)
Unconditional	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### 26.02 Extended Public Works Program

Opening balance	-	-
Grants received	1,670,855	1,000,000
Conditions met - Operating	(1,371,000)	(1,000,000)
Conditions still to be met	<b>299,855</b>	-

Job creation projects in previous disadvantage areas

#### 26.03 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1,450,000	1,300,000
Conditions met - Operating	(1,450,000)	(1,300,000)
Conditions met-to be recovered	-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

#### 26.04 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	946,250	890,000
Conditions met - Operating	(946,250)	(890,000)
Conditions met-to be recovered	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, paid by National Treasury.

#### 26.05 Municipal Infrastructure Grant (MIG)

Opening balance	-	-
Grants received	18,914,000	14,845,000
Conditions met - Capital	(18,914,000)	(14,845,000)
Conditions met	-	-

The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.

#### 26.06 Housing Grants

Opening balance	(6,573,345)	8,610,154
Grants received	79,369,190	65,293,857
Conditions met - Operating	(54,544,441)	(46,538,239)
Conditions met - Capital	(6,114,525)	(18,589,117)
Refunded	-	(15,350,000)
Conditions still to be met	<b>12,136,879</b>	<b>(6,573,345)</b>

Housing grants was utilised for the development of erven and the erection of top structures, paid by the Provincial Government.

<b>26.07 National Electrification Programme</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Opening balance	-	
Grants received	5,000,000	
Conditions met - Capital	(5,136,877)	
Conditions met-to be recovered	<b>(136,877)</b>	<b>-</b>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>26.08 LGSETA Grant</b>		
Opening balance	23,809	550,005
Grants received	208,859	218,997
Conditions met - Operating	(130,136)	(745,193)
Conditions still to be met	<b>102,531</b>	<b>23,809</b>
The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .		
<b>26.09 ACIP</b>		
Opening balance	-	
Grants received	3,000,000	1,103,522
Conditions met - Capital	(3,000,000)	(1,103,522)
Conditions met	<b>-</b>	<b>-</b>
Job creation in the previous disadvantage areas		
<b>26.10 Provincial Management Support Grant</b>		
Opening balance	150,000	200,000
Grants received	1,448,840	550,000
Conditions met - Operating	(648,055)	(600,000)
Conditions met - Capital	(150,000)	-
Conditions still to be met	<b>800,785</b>	<b>150,000</b>
The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.		
<b>26.11 Community Development Workers</b>		
Opening balance	15,444	
Grants received	34,976	32,800
Conditions met - Operating	(33,662)	(17,356)
Conditions still to be met	<b>16,758</b>	<b>15,444</b>
The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.		
<b>26.12 Library Grant</b>		
Opening balance	-	
Grants received	2,307,000	525,000
Conditions met - Operating	(994,393)	
Conditions met - Capital	(206,430)	(525,000)
Conditions still to be met	<b>1,106,177</b>	<b>-</b>
The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.		
<b>26.13 Municipal Replacement Grant</b>		
Opening balance	-	-
Grants received	6,578,000	5,204,000
Conditions met - Operating	(5,643,865)	(4,883,516)
Conditions met - Capital	(228,459)	(320,484)
Conditions still to be met	<b>705,676</b>	<b>-</b>
This grant was received as a contribution for the operational cost of the libraries		
<b>26.14 Proclaimed Roads Maintenance</b>		
Opening balance	(200)	
Grants received	100,000	1,139,800
Conditions met - Operating	(99,800)	(1,140,000)
Conditions met-to be recovered	<b>-</b>	<b>(200)</b>
This subsidy was for maintenance on main roads , belonging to the Western Cape Government		
<b>26.15 Eskom Demand Side Management (EDSM)</b>		
Opening balance	-	(280,000)
Grants received	-	280,000
Conditions met	<b>-</b>	<b>-</b>
<b>26.16 Emergency Funding N.D.M.C</b>		
Opening balance	329,200	12,299,833
Grants received	-	329,200
Conditions met - Operating	-	-
Conditions met - Capital	(336,865)	(12,299,833)
Conditions met-to be recovered	<b>(7,665)</b>	<b>329,200</b>



**26.17 Sport and Recreation**

	2015 R	2014 R
Opening balance	-	200,000
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(200,000)
Conditions met	-	-

**26.18 Thusong Sentrum**

Opening balance	-	-
Grants received	-	218,000
Conditions met - Operating	(3,932)	(218,000)
Conditions met - Capital	(16,470)	-
Conditions met-to be recovered	<b>(20,402)</b>	-

**26.19 Working Integrated Learning**

Opening balance	(4,980)	-
Grants received	-	43,200
Conditions met - Operating	(38,040)	(48,180)
Conditions met-to be recovered	<b>(43,020)</b>	<b>(4,980)</b>

**26.20 Total Grants**

Opening balance	(6,060,072)	21,579,992
Grants received	161,973,970	122,587,376
Conditions met - Operating	(106,849,574)	(86,994,484)
Conditions met - Capital	(34,103,625)	(47,882,956)
Refunded	-	(15,350,000)
Conditions still to be met/(Grant expenditure to be recovered)	<b>14,960,700</b>	<b>(6,060,072)</b>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	15,168,664	518,453
Unpaid Conditional Government Grants and Receipts	(207,963)	(6,578,525)
	<b>14,960,700</b>	<b>(6,060,072)</b>

**27 PUBLIC CONTRIBUTIONS AND DONATIONS**

Augmentation Fees: Electricity	149,574	370,676
Augmentation Fees: Water	157,365	212,612
Augmentation Fees: Sewerage	(5,330)	105,846
IDC funding	141,621	-
Beaches	-	31,450
Kwanu Sport fields	673,385	2,184,735
	<b>1,116,616</b>	<b>2,905,319</b>

**28 SERVICE CHARGES**

Electricity charges	107,941,876	101,863,460
Water charges	50,283,713	36,923,455
Refuse removal charges	33,866,672	20,941,767
Sewerage and Sanitation Charges	56,594,259	34,743,888
	248,686,520	194,472,570
Less: Rebates	(47,505,963)	(7,770,817)
<b>Total Service Charges</b>	<b>201,180,558</b>	<b>186,701,753</b>

Data have not been collected in the prior period in a way that allows retrospective application of a new accounting policy to account for rebates, and therefore in terms of GRAP 3.53, it is impracticable to recreate information to restate the comparative rebate figure of 2014. Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. The method to determine rebates and subsidized services has changed since the previous year in the sense that rebates and discounts which were previously treated as revenue forgone and discounted in the tariffs, are now levied at full tariffs and rebates and subsidies are then credited to the beneficiaries who have qualified for rebates and subsidies.

**29 OTHER INCOME**

Landing Fees	73,402	59,746
Building Plan Fees	1,974,497	1,952,207
Boat Launching Fees	28,583	130,123
List of building plans	1,643	2,879
Fire fighting fees	25,393	83,582
Cemetery Fees	18,398	32,867
Conservancy Fees	1,343,306	1,177,128
Connection Fees	299,295	207,822
Services Connections	101,048	81,541
Re/disconnections	340,255	646,658
Reversal of Landfill rehabilitation cost	-	5,939,538
Sundries.	4,464,640	5,081,247
<b>Total Other Income</b>	<b>8,670,460</b>	<b>15,395,338</b>

**EMPLOYEE RELATED COSTS**

	2015 R	2014 R
Salaries and Wages	77,318,516	73,534,606
Contributions to UIF and pensions	12,883,641	12,503,457
Bonuses	5,768,638	5,315,131
Overtime payments	6,462,243	5,546,627
Standby Allowance	2,617,756	3,315,536
Travelling Allowance and subsistence and other Allowances	9,168,232	10,317,891
Housing Benefits and Allowance	426,025	1,470,926
Medical Aid contributions	9,827,559	8,790,870
Contributions to Group Insurance	2,439,664	2,127,962
Contributions to Leave	2,167,602	3,794,047
Contribution to Post Employment Medical	5,173,936	3,836,939
Contribution to Long Service awards	287,453	495,337
<b>Total Employee Related Costs</b>	<b>134,541,266</b>	<b>131,049,328</b>

**KEY MANAGEMENT PERSONNEL**

The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL****Remuneration of the Municipal Manager****Mr AA Paulse**

Annual Remuneration	1,017,510	934,246
Allowance	84,449	83,449
Annual Bonus	84,792	77,854
Travelling Allowance	240,000	240,000
Telephone allowance	15,000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	227,709	212,747
<b>Total</b>	<b>1,669,461</b>	<b>1,548,296</b>

**Remuneration of the Director Infrastructure and Technical Services****Me P Ngqumshe**

Annual Remuneration	636,964	561,192
Allowance	503,980	505,772
Annual Bonus	114,748	
Telephone allowance	18,000	16,500
Travelling Allowance	132,000	132,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	133,347	117,913
<b>Total</b>	<b>1,539,039</b>	<b>1,333,376</b>

**Remuneration of the Director Corporate Services****Mr R Smit**

Annual Remuneration	989,658	873,909
Annual Bonus	140,629	131,688
Allowance	25,223	33,787
Travelling Allowance	96,000	96,000
Other Allowance		56,115
Telephone allowance	18,000	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	180,004	159,165
<b>Total</b>	<b>1,449,515</b>	<b>1,368,663</b>

**Remuneration of the Director Community Services****Mr MG Stratu**

Annual Remuneration	1,039,512	1,012,056
Annual Bonus	114,748	
Allowance	38,825	12,000
Acting Allowance	9,990	11,390
Telephone allowance	16,500	
Travelling Allowance	284,034	250,134
Contributions to UIF, Medical, Pension Funds and Bargaining Council	44,552	42,064
<b>Total</b>	<b>1,548,161</b>	<b>1,327,644</b>

**Remuneration of the Chief Financial Officer****Mr FM Lötter**

Annual Remuneration	1,238,849	1,144,179
Acting Allowance	5,294	
Travelling Allowance	225,364	227,070
Telephone allowance	18,000	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	24,802	23,090
<b>Total</b>	<b>1,512,308</b>	<b>1,412,339</b>

**Remuneration of the Director : Strategic Services****Mr D Lombaard ( July 2014- August 2014)**

Annual Remuneration	106,200	528,000
Rental Allowance	22,200	120,000
Allowance	77,471	463,015
Leave	135,004	
Travelling Allowance	28,200	204,000
Telephone allowance	3,000	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	310	1,861
<b>Total</b>	<b>372,385</b>	<b>1,334,876</b>

**Remuneration of the Director : Strategic Services****Mr D Friedman (May 2015 - June 2015)**

Annual Remuneration	108,699	-
Allowance	24,473	-
Travelling Allowance	40,000	-
Telephone allowance	3,500	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	311	-
	<b>176,983</b>	

**31 REMUNERATION OF COUNCILLORS**

Executive Mayor	744,695	727,192
Deputy Executive Mayor	737,346	567,602
Speaker	595,664	564,002
Mayoral Committee Members	1,127,849	1,066,549
Councillors	1,560,947	1,766,242
Councillors-other allowances		18,722
<b>Total Councillors' Remuneration</b>	<b>4,766,501</b>	<b>4,710,310</b>

**In-kind Benefits**

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.

**32 DEBT IMPAIRMENT**

Receivables from exchange transactions - Note 21	14,142,912	10,358,546
Receivables from non-exchange transactions - Note 22	11,622,820	19,305,769
<b>Total Contribution to Debt Impairment</b>	<b>25,765,732</b>	<b>29,664,315</b>
Less: Portion Relating to VAT	(1,361,609)	(1,497,779)
<b>Debt impairment recognised in statement of financial performance</b>	<b>24,404,123</b>	<b>28,166,536</b>

Included in the provision for Debt Impairment for Receivables from non-exchange transactions is an amount of R16324466 which represents possible future traffic fines to be written of in terms of the prescriptions issued in i GRAP 1

**33 DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	16,783,234	16,124,618
Investment Property	26,869	2,713
Intangible Assets	99,797	106,131
Capitalized Restoration Cost	1,972,033	-
	<b>18,881,934</b>	<b>16,233,461</b>

**34 IMPAIRMENTS/WRITE-OFFS**

Property Plant & Equipment	3,172,949	9,897,019
Intangible Assets		3,706,136
	<b>3,172,949</b>	<b>13,603,155</b>

**35 FINANCE CHARGES**

Long-term Liabilities	14,280,707	13,609,264
Finance leases	83,136	73,991
Tip site restoration contribution	100,108	
Post employment medical aid provision	6,486,966	5,407,974
Long service awards provision	225,693	217,312
<b>Total finance charges</b>	<b>21,176,610</b>	<b>19,308,541</b>

**36 BULK PURCHASES**

Electricity bulk	84,459,061	76,399,870
<b>Total Bulk Purchases</b>	<b>84,459,061</b>	<b>76,399,870</b>

**37 GENERAL EXPENSES**

Advertising	527,230	702,560
Consulting and Professional Fees	2,525,736	1,878,759
Hire & Maintenance	1,790,878	1,158,826
Hire of Vehicles	3,478,713	2,899,600
Insurance	562,254	1,193,702
Materials and Stores	874,972	1,005,737
Printing and Stationary	777,843	584,257
Audit Fees	2,083,654	2,026,438
Rent: Other	1,725,044	1,582,169
Events & Festivals	32,407	12,268
Disaster Relief	307,188	478,852
Congresses and Seminars	218,923	2,080,078
Telecommunication	1,324,252	1,157,032
Training	515,243	1,167,752
Legal Expenses	1,724,795	1,622,753
Electricity Supply	31,322	46,645
General Clean-up	1,527,460	523,202
Vehicle Operating Cost	3,927,273	4,330,267
Chemicals	1,636,449	1,379,429
Subsidized Services	1,677,435	2,198,959
Travelling and Subsistence	2,748,260	
Other	75,922,339	60,349,414
<b>Total General Expenses</b>	<b>105,939,669</b>	<b>88,378,698</b>

**Prior year adjustments due to non-compliance with Accounting policy and errors**

- 38.01** (a) Trade creditors amounted to R800 919 relating to the 2011/12 financial year were incorrectly rolled over to the 2012/13 year with the result that the 2012/13 and 2013/14 financial years Payments from Exchange Transactions was overstated. This error is now retrospectively rectified with the following entries : (Dt) Payables from Exchange Transactions , (Ct) Accumulated Surplus (prior years)
- (b) With the updating and internal auditing of the Asset Register, it was found that residual values on some of the other assets have been incorrectly valued with the result that the accumulated depreciation was previously understated. This error is now retrospectively rectified with the following entries : (Dt) Accumulated Surplus -prior years R65498.97, (Dt) Accumulated Surplus -current year R 39463.68 and (CT) Accumulated depreciation R104962.65
- (c) With the year end of 2014, a suspense account representing salary advances, was erroneously transferred as revenue. This error is now retrospectively rectified with the following entries : (Dt) Accumulated Surplus R184 816.69 (current year) (Ct) Payables from Exchange Transactions
- (d) In the previous year the interest portion of the post employee benefits and long service awards were erroneously disclosed as employee cost. This error is now rectified with the following re-classification : Finance charges increasing with R 5 625 286 and Employee cost decreasing with R 5 625 286
- (e) In the previous year the property rates rebates were erroneously disclosed as a deduction from the property rates instead of disclosed it as an General Expenditure. This error is now rectified with the following re-classification :Property rates increasing with R2 198 959 and General Expenditure increasing with R2 198 959
- (f) In the previous year Grants Expenditure was erroneously disclosed as General Expenditure. This error is now rectified with the following re-classification :General Expenditure decreasing with R1 948 212 and Grant Expenditure is decreasing with R1 948 212
- (g) Pro rata rates corrections of prior year Rate levies have not been transferred to the property rates vote and have been kept as a suspense account which was previously disclosed as Receivables from non-exchange transactions . This error is now retrospectively corrected with the following transactions : (Dt) Accumulated Surplus -prior years R869 026,(Dt) Accumulated Surplus-current year R 327 398 and (Ct) Receivables from non-exchange transactions R1 196 425
- (h) With the annual inspection and review of the asset register with deeds office and other data it was found that land was erroneously excluded as assets due to confusing registered names. These land is now recognised as assets (first time recognition) with the impaired values as reflected in the 2012/13 valuation roll. The correction is done with the following entries: (Dt) Property Plant and Equipment - Land with R24 439 000 and Investment Properties R13 900 000 (Ct) Accumulated Surplus R38 339 000
- (i) With the annual inspection and review of the asset register with deeds office and other data it was found that land and buildings was erroneously included as assets in the assets register also due to confusing registered names. These assets are now be de-recognised as assets with the following entries : (Dt) Accumulated Surplus (prior years) R 5 454 375, (Ct) Land and Buildings R4 734 000 and Investment Properties R720 375. (Dt) Accumulated Depreciation - Land and Buildings with R 369223.75, (Ct) Accumulated Surplus -prior years R354161 and (Ct) Accumulated Surplus- current year R15062.11
- (j) With the annual asset verification, moveable assets previously de-recognised are now recovered. This error is now corrected with the following entries : (Dt) Property Plant and Equipment -Other Assets R 200 726.34 (Ct) Accumulated Surplus -prior years R200 726.34 (Ct) Property Plant and Equipment - Accumulated Depreciation R112 320.41 (Dt) Accumulated Surplus - prior years R91 913.94 and (Dt) Accumulated Surplus -current year R20 406.47
- (k) With the annual asset verification, moveable assets previously not recognised are now recorded (first time recognition).This is now corrected with the following entries : (Dt) Property Plant and Equipment -Other Assets R274 447.47 (Ct) Accumulated Surplus R274 447.47 (Dt) Accumulated Surplus - prior years R 147 478.44 , Accumulated Surplus-current year R24 565.41 and (Ct) Property Plant and Equipment Accumulated Depreciation R172 043.85
- (l) During the year the municipality has comprehensively reviewed all the infrastructure and community assets which consequently lead to more detailed unbundling and resulting in changes to depreciation and accumulated depreciation as this effecting the assets since first time recognition during the 2007/2008 financial year. This retrospective correction is done with the following entries. (Dt) Property ,Plant and Equipment- (Infrastructure Accumulated Depreciation) R11 567 298.23, (Dt) Property Plant and Equipment - (Community Assets Accumulated Depreciation) R494550.43 (Ct) Accumulated Surplus -prior years R11 037 804.20 and (Ct) Accumulated Surplus - current year R 1 024 044.46
- (m) With the annual asset register review it was found that assets were incorrectly classified .Those errors are now rectified with the following re-classification : (Dt) Land and Building (cost) R 31 332 148 and (Ct) Investment Property (cost) R31 332 148, (Dt) Community Assets-(cost) with R249 754 and (Ct) Investment Property- (cost) R249 754; (Dt) Investment Property (Accumulated Impairment) R2 101 920 and (Ct) Land and Buildings (Accumulated Impairment) R 2 101 920
- (n) Heritage Assets previously recognised but not measured is now recorded retrospectively with the following entries:(Dt) Heritage Assets R18681.00 and (Ct) Accumulated Surplus R18681.00
- (o) VAT claimable was overstated since 2010/11 Financial year. After a comprehensive VAT review it was concluded that the VAT is in fact not claimable and Council has resolute to write off the amount. This is now corrected with the following entries : (Dt) Accumulated Surplus and (Ct) VAT with R4 699 394. 87

**The above representing the narratives of the following Corrections of Errors  
as set out from notes 38.02 to 38.09**

<b>38.02 Accumulated Surplus</b>	<b>2015 R</b>	<b>2014 R</b>
<b>Balance previously reported</b>	<b>587,887,776</b>	<b>526,491,876</b>
<i>Correction of errors -see note 38.01(a)</i>	800,919	800,919
<i>Correction of errors -see note 38.01(b)</i>	(104,963)	(65,499)
<i>Correction of errors -see note 38.01(c)</i>	(184,817)	
<i>Correction of errors -see note 38.01(g)</i>	(1,196,425)	(869,026)
<i>Correction of errors -see note 38.01(h)</i>	38,339,000	38,339,000
<i>Correction of errors -see note 38.01(i)</i>	(4,718,938)	(4,734,000)
<i>Correction of errors -see note 38.01(j)</i>	(720,375)	(720,375)
<i>Correction of errors -see note 38.01(i)</i>	354,162	354,162
<i>Correction of errors -see note 38.01(j)</i>	200,726	200,726
<i>Correction of errors -see note 38.01(j)</i>	(112,320)	(91,914)
<i>Correction of errors -see note 38.01(k)</i>	273,068	273,068
<i>Correction of errors -see note 38.01(k)</i>	(171,179)	(146,737)
<i>Correction of errors -see note 38.01(l)</i>	12,061,849	11,037,804
<i>Correction of errors -see note 38.01(n)</i>	18,681	18,681
<i>Correction of errors -see note 38.01(o)</i>	(4,699,395)	(4,699,395)
<b>Restated balance</b>	<b>628,027,769</b>	<b>566,189,290</b>
<b>38.03 Heritage Assets</b>		
<b>Balance previously reported</b>	<b>16,512</b>	<b>16,512</b>
<i>Correction of errors -see note 38.01(m)</i>	18,681	18,681
<b>Restated balance</b>	<b>35,193</b>	<b>35,193</b>
<b>38.04 Receivables from non-exchange transactions</b>		
<b>Balance previously reported</b>	<b>17,673,143</b>	<b>14,646,330</b>
<i>Correction of errors -see note 38.01(g)</i>	(1,196,425)	(869,026)
<b>Restated balance</b>	<b>16,476,718</b>	<b>13,777,304</b>
<b>38.05 Payables from exchange transactions</b>		
<b>Balance previously reported</b>	<b>42,091,053</b>	<b>29,649,051</b>
<i>Correction of error -see note 38.1(a)</i>	(800,919)	(800,919)
<i>Correction of error -see note 38.1(c)</i>	184,817	
<b>Restated balance</b>	<b>41,474,950</b>	<b>28,848,132</b>
<b>38.06 Property, Plant and Equipment</b>		
<b>Balance previously reported</b>	<b>655,591,946</b>	<b>612,703,782</b>
<i>Correction of error -see note 38.1(b)</i>	(104,963)	(65,499)
<i>Correction of error -see note 38.1(h)</i>	24,439,000	24,439,000
<i>Correction of error -see note 38.1(i) -cost</i>	(4,734,000)	(4,734,000)
<i>Correction of error -see note 38.1(i) Accumulated Depreciation</i>	369,224	354,162
<i>Correction of error -see note 38.1(j) -cost</i>	200,726	200,726
<i>Correction of error -see note 38.1(j) Accumulated Depreciation</i>	(112,320)	(91,914)
<i>Correction of error -see note 38.1(k) -cost</i>	273,068	273,068
<i>Correction of error -see note 38.1(k) Accumulated Depreciation</i>	(171,179)	(146,737)
<i>Correction of error -see note 38.1(l) Accumulated Depreciation</i>	12,061,849	12,061,849
<i>Correction of error -see note 38.1(m) -cost</i>	31,581,902	31,581,902
<i>Correction of error -see note 38.1(m) -Accumulated Impairment</i>	(2,101,920)	(2,101,920)
<b>Restated balance</b>	<b>717,293,332</b>	<b>674,474,418</b>
<b>38.07 Investment Property</b>		
<b>Balance previously reported</b>	<b>88,752,725</b>	<b>88,755,438</b>
<i>Correction of error -see note 38.1(h)</i>	13,900,000	13,900,000
<i>Correction of error -see note 38.1(i)</i>	(720,375)	(720,375)
<i>Correction of error -see note 38.1(m) -cost</i>	(31,581,902)	(31,581,902)
<i>Correction of error -see note 38.1(m) -Accumulated Impairment</i>	2,101,920	2,101,920
<b>Restated balance</b>	<b>72,452,368</b>	<b>72,455,081</b>
<b>38.08 Taxes</b>		
<b>Balance previously reported</b>	<b>12,511,671</b>	<b>3,129,139</b>
<i>Correction of errors -see note 38.01(o)</i>	(4,699,395)	(4,699,395)
<b>Restated balance</b>	<b>7,812,276</b>	<b>(1,570,256)</b>

### 38.09 Statement of Performance

#### Balance previously reported

Effect on Employee related cost	Correction of error -see note 38.1(c),(d)
Effect on Finance Charges	Correction of error -see note 38.1(d)
Effect on Property Taxes	Correction of error -see note 38.1(e),(g)
Effect on Depreciation and Amortisation	Correction of error -see note 38.1(h),(i),(j),(k),(l)
Effect on Grants and Subsidies	Correction of error -see note 38.1(f)
Effect on General Expenditure	Correction of error -see note 38.1(f),(e)

#### Restated balance

2015  
R

63,895,900

2014  
R

5,440,469
(5,625,286)
1,871,560
954,794
(1,948,213)
(250,746)

64,338,479

-

### 39 RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus for the year	53,706,895	64,338,479
<b>Adjustments for:</b>		
Depreciation	18,782,137	16,127,330
Amortisation of Intangible Assets	99,797	106,131
Asset Impairment	3,172,949	13,603,155
Grants received	161,973,970	122,587,377
Grants recognised as revenue	(141,768,205)	(152,412,176)
Debt Impairment	25,765,732	29,664,315
Debt Impairment-written off	(6,572,854)	(6,932,427)
Contribution to employee benefits-current	(226,936)	1,320,525
Contribution from/to employee benefits-non current	9,981,648	11,825,589
Provisions	220,012	(6,209,091)
Stock Adjustment	46,345	
Operating lease income accrued	(89,615)	(17,165)
Operating lease expenses accrued	(35,967)	(26,371)
Operating Surplus before changes in working capital	125,055,908	93,975,671
Changes in working capital	(17,440,281)	(22,207,074)
(Decrease)/Increase in Payables from Exchange Transactions	(1,673,863)	12,626,820
Increase in Taxes	4,536,598	(9,382,532)
Decrease in Inventory	(709,672)	86,425
(Increase) in Trade and other receivables	(19,593,344)	(25,537,786)
<b>Cash generated by operations</b>	<b>107,615,627</b>	<b>71,768,597</b>

### 40 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 24	82,042,578	25,764,902
Cash Floats - Note 24	11,520	11,220
Bank - Note 24	16,573,665	23,400,922
<b>Total cash and cash equivalents</b>	<b>98,627,763</b>	<b>49,177,044</b>

### 41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 40	98,627,763	49,177,044
Less:	98,627,763	49,177,044
	(11,580,970)	12,953,290
Unspent Committed Conditional Grants - Note 10	(15,168,664)	(518,453)
Unpaid Conditional Grants- Note 10	207,963	6,578,525
VAT - Note 12	3,275,678	7,812,276
Unspent Public Contributions	104,052	(919,058)
<b>Resources available for working capital requirements</b>	<b>87,046,793</b>	<b>62,130,334</b>

### 42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	130,242,723	132,757,358
Used to finance property, plant and equipment - at cost	(130,242,723)	(132,757,358)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
<b>43.01 Operational</b>				
<b>Revenue by source</b>				
Property taxes	102,203,357	102,409,000	(205,643)	-0.20%
Government Grants and Subsidies-capital	34,103,625	39,710,000	(5,606,375)	-14.12%
Government Grants and Subsidies	106,849,574	102,668,866	4,180,708	4.07%
Public Contributions and Donations	1,116,616	1,916,468	(799,852)	-41.74%
Actuarial Gain	648,630	-	648,630	100.00%
Fines	21,857,825	30,590,600	(8,732,775)	-28.55%
Service Charges	201,180,558	201,523,274	(342,716)	-0.17%
Rental of Facilities and Equipment	1,508,401	1,320,590	187,811	14.22%
Interest Earned - external investments	6,147,470	3,911,040	2,236,430	57.18%
Interest Earned - outstanding debtors	3,911,533	2,710,738	1,200,795	44.30%
Agency Services	1,309,784	1,085,236	224,548	20.69%
Other Income	8,670,460	5,636,239	3,034,221	53.83%
Licences and Permits	48,598	43,500	5,098	11.72%
	<b>489,556,433</b>	<b>493,525,551</b>	<b>(3,969,118)</b>	<b>-0.80%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	134,541,266	144,806,069	(10,264,803)	-7.09%
Remuneration of Councillors	4,766,501	5,047,100	(280,599)	-5.56%
Debt Impairment	24,404,123	36,289,451	(11,885,328)	-32.75%
Collection Cost	613,496	787,500	(174,004)	-22.10%
Depreciation and Amortisation	18,881,934	18,555,070	326,864	1.76%
Impairments/Write-Offs	3,172,949	-	3,172,949	100.00%
Repairs and Maintenance	12,794,206	15,738,823	(2,944,617)	-18.71%
Actuarial losses	97,651	-	97,651	100.00%
Finance Charges	21,176,610	14,357,907	6,818,703	47.49%
Bulk Purchases	84,459,061	79,354,487	5,104,574	6.43%
Contracted services	21,912,595	24,579,507	(2,666,912)	-10.85%
Stock Adjustments	46,345	-	46,345	100.00%
Grants and Subsidies	3,043,130	3,720,000	(676,870)	-18.20%
General Expenses	105,939,669	113,433,908	(7,494,239)	-6.61%
Loss on Disposal of PPE	-	80,000	(80,000)	-100.00%
	<b>435,849,538</b>	<b>456,749,822</b>	<b>(20,900,284)</b>	<b>-4.58%</b>
<b>Net Surplus for the year</b>	<b>53,706,895</b>	<b>36,775,729</b>	<b>16,931,166</b>	<b>46.04%</b>

**Reasons: Revenue by source**

*Material variances are considered for variances larger than R4 million*

*Capital spending did not proceed as planned due to a delay on the housing services contract resulting in a portion of the grant funding being unspent.*

*Additional operational grants received and spent on housing construction as part of a multi year housing project*

*Traffic fines revenue realised less than anticipated in comparison to prior year performance, more historical data and trend analysis gather over time will ensure more accurate future budgeting.*

**Reasons: Expenditure by nature**

*Material variances are considered for variances larger than R4 million*

*Saving on salaries due to persistent vacancies in Electrical department as well as other scarce skills positions where suitable candidates were difficult to attract following numerous recruitment processes.*

*The under performance of traffic fines revenue resulted in a substantially reduced provision for impairment to be made for receivables from non-exchange transactions.*

*Purchases exceeded budget estimates as additional housing units and higher occupancy placed a higher demand on electricity services provision*

*Savings on legal expenses, consultant fees various other general expenditure items coupled to improvement in operational efficiency led to a savings in general expenditure.*

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
<b>43.02 Expenditure by Vote</b>				
<i>Material variances are considered for variances larger than R4 million</i>				
Community Services	159,943,775	159,955,613	(11,838)	-0.01%
Corporate Services	22,236,499	26,693,034	(4,456,535)	-16.70%
Council	13,082,434	17,819,874	(4,737,440)	-26.59%
Financial Services	52,706,514	57,609,267	(4,902,753)	-8.51%
Municipal Services and Infrastructure Development	196,062,972	198,433,557	(2,370,585)	-1.19%
Office of the Municipal Manager	12,129,022	13,513,660	(1,384,638)	-10.25%
Strategic Services	19,739,367	22,775,863	(3,036,496)	-13.33%
	475,900,584	496,800,868	(20,900,284)	-4.21%
Less : Internal charges	(40,051,046)	(40,051,046)	-	0.00%
	<b>435,849,538</b>	<b>456,749,822</b>	<b>(20,900,284)</b>	<b>-4.58%</b>

**Reasons for variances:**

*Savings on legal expenses, consultant fees various other general expenditure items coupled to improvement in operational efficiency led to a savings in expenditure for the corporate services vote*

*Savings initiatives as well as operational efficiencies resulted in lower than anticipated spending in the council general vote*

*A substantial savings on the contribution to impairment due to improved collection as well as other operational efficiencies resulted in lower than anticipated spending in the finance vote*

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 (%)
<b>43.03 Capital expenditure by vote</b>				
<i>Material variances are considered for variances larger than R4 million</i>				
Community Services	13,195,573	15,619,558	(2,423,985)	-15.52%
Corporate Services	291,959	291,980	(21)	-0.01%
Council	286,854	366,855	(80,001)	-21.81%
Financial Services	1,329,407	1,726,376	(396,969)	-22.99%
Municipal Services and Infrastructure Development	40,393,675	44,639,744	(4,246,069)	-9.51%
	<b>55,497,469</b>	<b>62,644,513</b>	<b>(7,147,044)</b>	<b>-11.41%</b>

**Reasons for variances:**

*Material variances are considered for variances larger than R4 million*

*EIA process delayed the progress with the drivers license and testing centre and the purchase of housing land could not be concluded due to the transaction not being finalised*

*The delay in the civil services contract for housing infrastructure caused the lower than anticipated expenditure for the financial year*

<b>44</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	<b>2015 R</b>	<b>2014 R</b>
<b>44.01 Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure:			
Opening balance		14,756,695	26,916,613
Unauthorised expenditure current year - capital			
Unauthorised expenditure current year - operating			14,756,695
Condoned by council		(14,756,695)	(26,916,613)
Unspent Grants not cash backed		-	
Unauthorised expenditure awaiting authorisation		-	<b>14,756,695</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Over expenditure on votes 2013/2014</i>	<i>None</i>		14,756,695
<i>Over expenditure on votes 2013/2014</i>	<i>Condoned</i>	(14,756,695)	
		-	<b>14,756,695</b>
		<b>2015 R</b>	<b>2014 R</b>
<b>44.02 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure:			
Opening balance		-	944,145
Fruitless and wasteful expenditure current year		291,374	
Condoned		-	(944,145)
		<b>291,374</b>	<b>-</b>
Fruitless and wasteful expenditure awaiting further action			
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Late payment of Eskom account-penalty</i>	<i>Busy with sec.32 of MFMA process</i>	29,174	
<i>Fraudulent payment to supplier</i>	<i>Busy with sec.32 of MFMA process</i>	262,200	
		<b>291,374</b>	<b>-</b>
		<b>2015 R</b>	<b>2014 R</b>
<b>44.03 Irregular expenditure</b>			
Reconciliation of irregular expenditure:			
Opening balance		-	139,975
Irregular expenditure condoned			
Irregular expenditure current year		70,290	
Condoned			(139,975)
		<b>70,290</b>	<b>-</b>
Irregular expenditure awaiting further action			
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Contract awarded to a contractor in which a newly appointed member of staff had an interest</i>	<i>Busy with sec.32 of MFMA process</i>	45,075	
<i>Contract awarded to a contractor to which a member of staff was related and did not declare</i>	<i>Busy with sec.32 of MFMA process</i>	25,215	
		<b>70,290</b>	<b>-</b>
		<b>2015</b>	<b>2014</b>
<b>44.04 Material Losses</b>			
<b>Water distribution losses</b>			
- Kilo litres disinfected/purified/purchased		3,283,410	3,548,003
- Kilo litres lost during distribution		161,039	249,611
- Percentage lost during distribution		4.90%	7.04%
<b>Electricity distribution losses</b>			
- Units purchased (Kwh)		104,589,406	106,019,256
- Units lost during distribution (Kwh)		12,038,463	18,980,957
- Percentage lost during distribution		11.51%	17.90%



		2015 R	2014 R			
45	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT					
45.01	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>					
	Council subscriptions	1,349,822	1,299,212			
	Amount paid - current year	(1,349,822)	(1,299,212)			
	Balance unpaid (included in creditors)	-	-			
45.02	<u>Audit fees - [MFMA 125 (1)(c)]</u>					
	Opening balance	-	-			
	Current year audit fee	2,007,990	2,026,438			
	External Audit - Auditor-General	2,007,990	2,026,438			
	Amount paid - current year	(2,007,990)	(2,026,438)			
	Balance unpaid (included in creditors)	-	-			
45.03	<u>VAT - [MFMA 125 (1)(b)]</u>					
	Vat in suspense	3,275,678	7,812,276			
	Receivable/Payable	3,275,678	7,812,276			
	VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.					
45.04	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>					
	Opening Balance	(798)				
	Current year payroll deductions and Council Contributions	18,951,594	17,012,938			
	Amount paid - current year	(18,950,796)	(17,013,736)			
	Balance unpaid (included in creditors)	-	(798)			
45.05	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>					
	Opening balance	-				
	Current year payroll deductions and Council Contributions	34,366,253	30,055,381			
	Amount paid - current year	(34,366,253)	(30,055,381)			
	Balance unpaid (included in creditors)	-	-			
45.06	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>					
	Councillors with arrear accounts for more than 90 days as at 30 June 2013					
		2015 R Outstanding more than 90 days	2014 R Outstanding more than 90 days			
	S.E. Gcabayi	-	1,031			
	Total Councillor Arrear Consumer Accounts	-	1,031			
45.07	<u>Other non-compliance (MFMA 125(2)(e))</u>					
	Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes					
	All the deviations were ratified by the Municipal Manager and reported to Council					
		Less than 30,000	Between 30,001 200,000	Between R200001 and 2,000,000	More than 2,000,000	
	Corporate Services	98,895	641,492	541,500		
	Financial Services	177,031	272,720	587,806	-	
	Community Services	355,476	1,570,109	5,394,221	-	
	Municipal Manager	24,841			-	
	Mayors Office	82,751	108,342	633,367	-	
	Engineering Services	424,738	1,308,370	607,050	-	
	Strategic Services	87,037	776,425	2,205,579	-	
	Total	1,250,769	4,677,458	9,969,523	-	
45.08	<u>Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).</u>					
Company	Description	Relation	Name	State Organ	Designation	Amount R
CM &E Projects	Construction	Son	AW Fourie	Municipality	Chief Housing	R 17,600.00
JE Freeks Catering	Catering	Mother	VR Cunningham	Municipality	Act.Manager HR	R 24,845.00
Buchumile General Trading	Catering	Wife	J Sijama	Municipality	Public Part Officer	R 126,663.00
African Development Group	Training	Husband	TM Wildeman	Municipality	Manager HR	R 77,508.00
Olawu General Trading	Catering	Son	V Pinyana	Municipality	Cleaning Lady	R 3,500.00
Litey Projects	Catering	Husband	J Mussa	Municipality	Cleaning Lady	R 5,256.00
Shelfplett Security	Security Services	Husband	LB Yonn	SA Police	SAPS Officer	R 6,996,823.00
Manuel Maintenance cc	Construction	Daughter	A B Manuel	Municipality	Library Assistant	R 45,075.00
Sidonela Trading Enterprise CC	Cleaning	Wife	TW Ngqoleka	Municipality	General Worker	R 25,215.00
						R 7,322,485.00

**CAPITAL COMMITMENTS****Commitments in respect of capital expenditure:**

Approved and contracted for:

**2015  
R****2014  
R****44,859,138****32,728,113**

Total commitments consist out of the following:

Tender SCM/MSID 12/2013		15,000,000
Tender SCM/COMM 40/2013		4,519,039
Tender SCM/MSID 27/2012		250,000
Tender SCM/COMM 35/2013		1,224,664
Tender SCM/COMM 08/2013		650,012
Tender SCM/COMM 34/2013		1,066,284
Tender SCM/MSID 18/2014		478,856
Tender SCM/MSID 24/2014		4,737,020
Tender SCM/MSID 26/2014		1,112,621
Tender SCM/MSID 57/2014	3,415,545	3,689,618
Tender SCM/MSID 12/2013	2,482,070	
Tender SCM/MSID 40/2013	2,403,052	
Tender SCM/MSID 27/2014	500,000	
Tender SCM/MSID 30/2014	16,586,198	
Tender SCM/MSID 31/2014	4,738,224	
Tender SCM/MSID 16/2015	4,882,284	
Tender SCM/MSID 19/2015	3,637,778	
Tender SCM/MSID 20/2015	1,652,918	
Tender SCM/MSID 44/2015	159,500	
Tender SCM/MSID 44/2015	1,114,751	
Tender SCM/MSID 59/2015	330,480	
Tender SCM/MSID 60/2015	1,297,662	
Tender SCM/MSID 67/2015	1,658,676	

This expenditure will be financed from:

Government Grants and Subsidies  
External Loans  
Own Funds

44,859,138

27,447,018

5,281,095

-

**44,859,138****32,728,113****FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk****2015  
R****2014  
R**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates, based on year end exposure, were as follow:

0.5% Increase in interest rates	(173,644)	(317,079)
0.5% Decrease in interest rates	173,644	317,079

(d) **Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 21 and 22 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates and Other Sundry Debtors	64.38%	12,036,025	28.87%	6,626,785
Traffic Fines	35.62%	6,658,461	71.13%	16,324,466
	100.00%	<b>18,694,485</b>	100.00%	<b>22,951,251</b>
<u>Exchange Receivables</u>				
Electricity	40.59%	10,118,579	5.26%	704,799
Water	28.06%	6,994,548	32.24%	4,322,547
Sewerage	18.89%	4,709,730	34.87%	4,676,170
Sundries	1.41%	351,662	12.55%	1,683,420
Refuse Removal	8.71%	2,172,323	13.79%	1,848,391
Housing Rentals	2.34%	583,267	1.29%	173,306
	100.00%	<b>24,930,109</b>	100.00%	<b>13,408,634</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 21 and 22 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	24.51%	9,283,576	25.32%	6,495,399
Other	1.08%	408,154	11.05%	2,835,805
Traffic Fines	74.41%	28,184,098	63.63%	16,324,466
	100.00%	<b>37,875,828</b>	100.00%	<b>25,655,670</b>
<u>Exchange Receivables</u>				
Electricity	9.95%	4,335,422	10.16%	3,716,959
Water	29.99%	13,064,029	29.24%	10,701,591
Refuse	24.32%	10,593,506	22.98%	8,409,294
Sewerage	28.58%	12,449,447	30.24%	11,064,801
Other	6.92%	3,014,526	6.42%	2,347,889
Housing Rentals	0.25%	108,967	0.96%	352,644
	100.00%	<b>43,565,897</b>	100.00%	<b>36,593,178</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R5 182 465 is held as security for a loan raised with ABSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment.

	2015 R	2014 R
Financial assets maximum exposure to credit risk at year end is as follows:		
Receivables from exchange transactions	26,154,225	31,113,935
Receivables from non-exchange transactions	21,836,896	16,476,719
Cash and Cash Equivalents	98,627,763	49,177,044
Unpaid conditional grants and subsidies	207,963	6,578,525
Long-term Receivables	18,576	58,360
Non-Current Investments	-	4,879,989
	<b>146,845,424</b>	<b>108,284,572</b>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2015</b>				
Long Term liabilities	24,573,696	93,684,618	55,245,637	14,752,901
Capital repayments	10,530,833	49,990,140	55,245,637	14,752,901
Interest	14,042,863	43,694,478	-	-
Non-Current Provision	-	-	-	-
Trade and Other Payables	30,546,514	-	-	-
Unspent conditional government grants and receipts	15,168,664	-	-	-
	<b>70,288,874</b>	<b>93,684,618</b>	<b>55,245,637</b>	<b>14,752,901</b>
<b>2014</b>				
Long Term liabilities	26,391,088	95,762,476	74,385,246	19,424,088
Capital repayments	12,244,733	52,781,252	52,536,874	15,237,311
Interest	14,146,355	42,981,224	21,848,372	4,186,777
Non Current Provision	-	-	-	-
Trade and Other Payables	34,324,392	-	-	-
Unspent conditional government grants and receipts	518,453	-	-	-
	<b>61,233,933</b>	<b>95,762,476</b>	<b>74,385,246</b>	<b>19,424,088</b>

**48 FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected bellow.

48.01 Financial Assets	Classification	2015 R	2014 R
<b>Long-Term Receivables</b>			
House Loans	Financial instruments at amortised cost	18,576	58,360
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	26,154,225	31,113,935
Receivables from non- exchange transactions (excluding rates)	Financial instruments at amortised cost	6,580,399	2,286,467
<b>Current Portion of Long-Term Receivables</b>			
Housing Loans		39,578	76,842
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	82,042,578	25,764,902
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	16,573,665	23,400,922
Cash Floats and Advances	Financial instruments at amortised cost	11,520	11,220
<b>Investments</b>	Financial instruments at amortised cost	5,182,465	4,879,989
		<b>136,603,007</b>	<b>87,592,638</b>

**SUMMARY OF FINANCIAL ASSETS**

Financial instruments at amortised cost

**At amortised cost****2015****R**

136,603,007

**2014****R**

87,592,638

**136,603,007****87,592,638****FINANCIAL INSTRUMENTS (CONTINUE)****48.02 Financial Liability****Classification****Long-term Liabilities**

Annuity Loans

Financial instruments at amortised cost

119,822,776

120,335,337

Capitalised Lease Liability

Financial instruments at amortised cost

164,969

209,572

**Payables from exchange transactions**

Trade creditors

Financial instruments at amortised cost

23,208,830

28,562,577

Other

Financial instruments at amortised cost

7,337,684

5,761,815

**Current Portion of Long-term Liabilities**

Annuity Loans

Financial instruments at amortised cost

10,210,375

11,891,991

Capitalised Lease Liability

Financial instruments at amortised cost

44,603

320,458

**160,789,237****167,081,750****SUMMARY OF FINANCIAL LIABILITY**

Financial instruments at amortised cost

**160,789,237****167,081,750****49 STATUTORY RECEIVABLES**

In accordance with the principles of GRAP 108, Statutory Receivables are classified as follows :

**Taxes**

Vat receivable

3,275,678

7,812,276

**Receivables from Non Exchange Transactions**

Rates

15,256,496

14,190,251

Fines

6,658,461

3,969,128

**50 EVENTS AFTER THE REPORTING DATE**

No events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.

**51 IN-KIND DONATIONS AND ASSISTANCE**

None

**52 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**53 CONTINGENT LIABILITY****53.01 MOHLALENG MEDIA (PTY) LTD**

This company alleges it is owed money for producing a communications strategy for the municipality.

The municipality opposing this claim and the case is arbitrated. However, if arbitration is in favour of the plaintiff, a possible claim of more or less R600 000 plus legal cost of R300 000 must be paid by the municipality.

**53.02 RENTWORKS AFRICA (PTY) LTD**

Plaintiff issued summons against the municipality in terms of two rental contracts. The municipality pleads and contended that the agreements were concluded in contravention of peremptory statutory prescripts and are thus illegal.

The plaintiff has filed a court hearing date. If the court judgement is in favour of the plaintiff, a possible claim amounted to R619 256 plus legal cost of more or less R300 000 must be paid by the municipality

**54 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**54.01 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**54.02 Compensation of key management personnel**

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

#### 54.03 Related party transactions

	Rates and Services Levied 1 Jul 14 - 30 Jun 15 R	Outstanding Balances 30 June 2015 R
<b>Councillors</b>		
<i>Councillor M Booysen</i>	23,707	-
<i>Councillor A.R. Olivier</i>	36,681	-
<i>Councillor E.E. Paulse</i>	3,571	-
<i>Councillor N M De Waal</i>	4,015	-
<i>Councillor M Seyisi</i>	-	-
<i>Councillor M M Mbali</i>	-	-
<i>Councillor S Besana</i>	2,704	-
<i>Councillor N Ndayi</i>	3,298	-
<i>Councillor R Koeberg</i>	-	-
<i>Councillor SE Gcabayi</i>	10,092	-
<i>Councillor W Graig</i>	-	-
<i>Councillor S Farrow</i>	-	-
<i>Councillor H Plaatjies</i>	4,819	-

#### 54.04 Other related party transactions

See note 45.08

### 55 Material variances between original and final budget

#### 55.01 Statement of Financial Position

Current Assets :

**Ref.**

C1 Initial current assets position was over estimated and therefore corrected in the adjustment budget

Non Current Assets :

C2 No material variance

Current Liabilities :

C3 Non-current liabilities were initially reflected under current liabilities and was corrected

Non Current Liabilities:

C4 Decrease in long term liabilities as a result of redeemed loans not taken into account upon initial budget approval

#### 55.02 Statement of Financial Performance

Revenue :

**Ref.**

C5 Assessment rates were initially over budgeted as the revenue rebates were not deducted from the revenue estimates, it was corrected in an adjustment budget

C6 Capital grants increased as a result of correction of housing funding between operational and capital expenditure

C7 Operating grants increased as a result of correction of housing funding between operational and capital expenditure

C8 Correction of fines revenue in accordance with IGRAP 1 that was not implemented in the original budget and only taken into account in the adjustments budget.

C9 Service charges revenue initially over estimated mainly in water and refuse removal due to housing units being built, as completion fell behind schedule the revenue estimations were adjusted downward.

Expenditure :

C11 Debt impairment had to be adjusted in accordance with I-Grp1 standard as fines revenue was corrected in the adjustment budget

C12 Electrical infrastructure assets were correctly reviewed and componentised it created a much wider variety of asset components effecting depreciation charges. The estimated useful life of assets were corrected and accounted for resulting in a decrease in the rate of depreciation

C14 Contracted services increased mainly due to the increase in the cost of transporting waste to Mossel Bay which was higher than anticipated in the original budget. Security services also increased due to additional security arrangements to protect municipal infrastructure.

C15 General expenditure items were reduced from the original budget as a result of operational efficiencies and re-prioritization of expenditure

#### 55.03 Cash flow

Operating Activities:

C16 Initial estimates indicated lower than anticipated cash generation through operations and it was adjusted in the adjustment budget

Cash from Investing activities:

C17 Increase in PPE and capital spending on assets due to additional allocations and increase in budget necessitated an adjustment

#### 55.04 Capital Expenditure

C18 Increase in the budget due to additional funding being made available for upgrading of sports fields and purchase of land for housing

C19 Funding for housing infrastructure was correctly split between capital and operational expenditure which required a budget correction

**56 Material variances between actual amounts and the final budget**

**56.01 Statement of Financial Position**

**Ref.**

Current Assets :

C1 Increase in cash position due to operational efficiency, improved collection rate and savings initiatives

Non Current Assets :

C2 Increase in PPE due to review componentization and useful lives

Current Liabilities :

C3 No material variance

Non Current Liabilities::

C4 No material variance

Net Assets :

C20 Increase in operating surplus generated due to operational efficiency, an improvement in cash position and increase in PPE

**56.02 Statement of Financial Performance**

Revenue :

**Ref.**

C6 Capital spending did not proceed as planned due to a delay on the housing services contract resulting in a portion of the grant funding being unspent.

C7 Additional operational grants received and spent on housing construction as part of a multi year housing project

C8 Traffic fines revenue realised less than anticipated in comparison to prior year performance, more historical data and trend analysis gather over time will ensure more accurate future budgeting.

Expenditure :

C10 Saving on salaries due to persistent vacancies in Electrical department as well as other scarce skills positions where suitable candidates were difficult to attract following numerous recruitment processes.

C11 The under performance of traffic fines revenue resulted in a substantially reduced provision for impairment to be made for receivables from non-exchange transactions.

C13 Purchases exceeded budget estimates as additional housing units and higher occupancy placed a higher demand on electricity services provision

C15 Savings on legal expenses, consultant fees various other general expenditure items coupled to improvement in operational efficiency led to a savings in general expenditure.

**Cash flow**

Operating Activities:

C16 More cash generated and retained through a combination of operational efficiencies, savings and improved revenue collection.

Cash from Investing activities:

No material variance

Cash from Financing Activities :

No material variance

**56.03 Capital Expenditure**

C18 EIA process delayed the progress with the drivers license and testing centre and the purchase of housing land could not be concluded due to the transaction not being finalised

C19 The delay in the civil services contract for housing infrastructure caused the lower than anticipated expenditure for the financial year

**APPENDIX A - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2014</b>	<b>Correction of errors</b>	<b>Balance at 30 JUNE 2014 Restated</b>	<b>Received during the period</b>	<b>Redeemed/ written off during the period</b>	<b>Balance at 30 JUNE 2015</b>
<b>ANNUITY LOANS</b>									
Development Bank	10.95%		31/12/2019	2,034,357	-	2,034,357	-	370,000	1,664,357
Development Bank	11.24%		31/12/2020	2,554,432	-	2,554,432	-	393,684	2,160,748
Development Bank	16.00%		31/12/2022	7,004,000	-	7,004,000	-	824,000	6,180,000
Development Bank	9.14%		30/06/2017	5,972,417	-	5,972,417	-	1,816,239	4,156,178
Development Bank	10.64%		30/06/2029	24,453,126	-	24,453,126	-	686,497	23,766,629
Development Bank	10.72%		30/06/2024	2,309,932	-	2,309,932	-	134,689	2,175,243
Standard Bank	10.56%		30/06/2020	2,111,486	-	2,111,486	-	262,185	1,849,301
Standard Bank	11.45%		30/06/2025	18,083,386	-	18,083,386	-	887,262	17,196,124
First National Bank	10.45%		30/06/2015	825,285	-	825,285	-	825,285	0
Standard Bank	11.26%		30/06/2021	13,312,155	-	13,312,155	-	1,347,071	11,965,084
Standard Bank	10.71%		31/12/2021	12,576,110	-	12,576,110	-	1,165,882	11,410,228
Standard Bank	10.86%		30/06/2021	12,151,593	-	12,151,593	-	1,120,579	11,031,014
Standard Bank	10.94%		30/06/2023	11,507,758	-	11,507,758	-	804,740	10,703,018
Standard Bank	10.00%		30/06/2018	931,290	-	931,290	-	199,901	731,389
Standard Bank	11.43%		31/12/2023	12,000,000	-	12,000,000	-	658,817	11,341,183
Standard Bank	11.12%		30/06/2017	4,400,000	-	4,400,000	-	697,345	3,702,655
Nedbank	11.81%		2015/2025	-	-	-	10,000,000	-	10,000,000
<b>Total Annuity Loans</b>				<b>132,227,327</b>	<b>-</b>	<b>132,227,327</b>	<b>10,000,000</b>	<b>12,194,175</b>	<b>130,033,152</b>
<b>LEASE LIABILITY</b>									
Finance Leases				530,029		530,029		320,458	209,571
<b>Total Lease Liabilities</b>				<b>530,029</b>	<b>-</b>	<b>530,029</b>	<b>-</b>	<b>320,458</b>	<b>209,571</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>132,757,356</b>	<b>-</b>	<b>132,757,356</b>	<b>10,000,000</b>	<b>12,514,633</b>	<b>130,242,723</b>



**APPENDIX B - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**  
**MUNICIPAL- VOTES CLASSIFICATION**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Budget Income R	2015 Actual Income R	2015 Budget Expenditure R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
129,438,455	(131,293,404)	(1,854,949)	Community Services	147,165,927	138,672,345	(159,955,613)	(159,943,775)	(21,271,429)
801,209	(19,782,782)	(18,981,573)	Corporate Services	708,803	169,903	(26,693,034)	(22,236,499)	(22,066,596)
41,072,739	(32,207,372)	8,865,367	Council	21,287,432	26,889,425	(17,819,874)	(13,082,434)	13,806,991
99,889,886	(40,084,470)	59,805,416	Financial Services	112,207,686	115,089,203	(57,609,267)	(52,706,514)	62,382,689
3,356,218	(28,755,272)	(25,399,054)	Strategic Services	11,318,964	11,876,440	(22,775,863)	(19,739,367)	(7,862,927)
1,017,357	(7,101,279)	(6,083,922)	Office of the Municipal Manager	1,571,444	1,554,662	(13,513,660)	(12,129,022)	(10,574,361)
205,182,802	(157,195,609)	47,987,193	Municipal Services and Infrastructure Development	239,316,341	235,355,501	(198,433,557)	(196,062,972)	39,292,529
480,758,667	(416,420,188)	64,338,478	<b>Sub Total</b>	533,576,597	529,607,479	-496,800,868	-475,900,584	53,706,895
			Less Internal charges	(40,051,046)	(40,051,046)	40,051,046	40,051,046	
480,758,667	(416,420,188)	64,338,478	<b>Total</b>	493,525,551	489,556,433	(456,749,822)	(435,849,538)	53,706,895
					99.20%		95.42%	

**APPENDIX B (1)- Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**  
**MUNICIPAL SUB- VOTES CLASSIFICATION**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R	Municipal Sub - Vote Description	2015 Budget Income R	2015 Actual Income R	2015 Budget Expenditure R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
7,835	(9,195,444)	(9,187,609)	Administration Services	1,726	1,726	(8,105,262)	(7,589,534)	(7,587,808)
235,035	(1,930,713)	(1,695,678)	Aerodrome	866,649	890,945	(1,255,729)	(914,127)	(23,182)
1,300,000	(2,852,524)	(1,552,524)	Budget & Treasury Office	1,655,990	1,898,840	(9,488,777)	(9,481,410)	(7,582,570)
1,955,087	(2,614,522)	(659,435)	Building Control	2,335,922	2,731,554	(2,541,184)	(2,341,414)	390,140
-	(60,044)	(60,044)	Communication	-	-	(3,749,991)	(2,876,375)	(2,876,375)
-	(4,496,050)	(4,496,050)	Community Services	-	-	(1,695,789)	(1,558,195)	(1,558,195)
-	(703,731)	(703,731)	Computer room	-	-	(415,933)	(60,941)	(60,941)
41,072,739	(24,338,072)	16,734,668	Council's General Expense	18,887,432	24,489,425	(12,041,215)	(7,551,886)	16,937,539
-	(81,483)	(81,483)	Council General	916,314	916,314	(1,963,273)	(1,964,311)	(1,047,997)
103,642,400	(94,086,972)	9,555,428	Electrical & Mechanical Engineering	119,249,164	117,816,291	(113,001,412)	(111,850,451)	5,965,840
-	-	-	Environmental Management	192,519	192,519	-	-	192,519
-	(407,351)	(407,351)	Expenditure	-	-	(3,052,768)	(3,130,971)	(3,130,971)
-	(1,771,462)	(1,771,462)	Fleet Maintenance	-	-	(6,300,515)	(5,455,256)	(5,455,256)
-	-	-	Health Services	-	-	-	(24,655)	(24,655)
-	(46,879)	(46,879)	HOD: Community Services	-	-	(1,743,352)	(1,802,099)	(1,802,099)
-	(46,164)	(46,164)	HOD: Corporate Services	-	-	(1,762,652)	(1,509,536)	(1,509,536)
-	(2,293,233)	(2,293,233)	HOD: Infrastructure Services	-	-	(1,712,935)	(1,745,709)	(1,745,709)
-	(48,356)	(48,356)	HOD: Planning & Economic Development	-	-	(554,288)	(731,525)	(731,525)
1,517,565	(16,219,686)	(14,702,121)	HOD: Financial Services	3,920,686	6,976,250	(7,756,445)	(6,557,570)	418,680
793,374	(4,209,101)	(3,415,727)	Human Resources Management Services	707,077	168,176	(7,638,607)	(6,388,783)	(6,220,607)
65,273,920	(50,244,568)	15,029,352	Human Settlement and Housing	60,213,225	63,371,536	(51,992,538)	(59,577,629)	3,793,907
-	(120,538)	(120,538)	IDP	506,203	506,203	(916,391)	(818,502)	(312,299)
-	(9,006,987)	(9,006,987)	Information & Communication Technology	-	-	(6,662,743)	(5,601,898)	(5,601,898)
-	(1,698,842)	(1,698,842)	Infrastructure Services	678,015	678,015	(1,238,443)	(781,233)	(103,218)
-	(1,569,224)	(1,569,224)	Internal Audit & Risk Management	150,000	150,000	(2,615,292)	(2,014,791)	(1,864,791)
-	(1,775,979)	(1,775,979)	Legal Services	-	-	(3,740,733)	(2,314,076)	(2,314,076)
5,867,555	(6,437,817)	(570,261)	Library & Information Services	8,904,500	7,117,638	(8,920,165)	(7,396,787)	(279,148)
-	(2,898,131)	(2,898,131)	Local Economic Development	1,211,199	1,107,147	(2,308,310)	(2,249,783)	(1,142,636)
580,114	(13,204,675)	(12,624,560)	Municipal Land & Buildings	598,685	764,559	(3,999,874)	(3,616,340)	(2,851,781)
-	(55,449)	(55,449)	Municipal Manager	-	-	(1,963,534)	(1,963,224)	(1,963,224)
-	(3,615)	(3,615)	Office of the CFO	-	-	(422,175)	(340,892)	(340,892)
-	-	-	Office Of The Deputy Mayor	287,671	287,671	(603,200)	(395,286)	(107,615)
-	(9,301)	(9,301)	Office Of The Executive Council	540,715	540,715	(1,144,572)	(1,176,119)	(635,404)
-	(7,777,606)	(7,777,606)	Office Of The Executive Mayor	367,630	367,630	(1,463,196)	(1,396,498)	(1,028,868)

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R	Municipal Sub - Vote Description	2015 Budget Income R	2015 Actual Income R	2015 Budget Expenditure R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
-	(2,293,704)	(2,293,704)	Office Of The Municipal Manager	-	1,404,662	(1,256,157)	(1,082,995)	(1,082,995)
1,017,357	(3,182,902)	(2,165,545)	Office Of The Political Office Bearers	1,421,444	1,404,662	(7,678,677)	(7,068,014)	(5,663,352)
-	(909)	(909)	Office Of The Speaker	287,670	287,670	(604,418)	(598,334)	(310,664)
506,436	(7,652,611)	(7,146,175)	Parks & Recreation: Beach Contr	4,161,566	4,160,735	(8,334,586)	(7,378,900)	(3,218,165)
2,384,735	(8,155,521)	(5,770,786)	Parks and Recreation	4,040,217	4,040,217	(6,638,350)	(6,445,414)	(2,405,197)
32,867	(132,829)	(99,962)	Parks and Recreation: Cemeteries	35,000	18,398	(722,172)	(632,822)	(614,424)
-	(48,466)	(48,466)	Parks and Recreation: Manager	547,395	547,395	(1,075,462)	(1,117,754)	(570,359)
325,592	(727,214)	(401,623)	Parks and Recreation: Simunye Centre	304,930	104,331	(2,355,216)	(2,263,063)	(2,158,732)
-	(2,988,282)	(2,988,282)	Planning & Economic Development	1,136,669	1,136,669	(2,304,370)	(1,136,751)	(82)
-	(28,228)	(28,228)	Planning & Project Management	300,685	300,685	(573,636)	(269,748)	30,937
-	(135,708)	(135,708)	PMS/SDBIP/Compliance	616,089	616,089	(526,674)	(508,936)	107,153
1,140,000	(1,450,729)	(310,729)	Proclaimed Roads	337,330	337,130	(172,277)	(153,950)	183,180
-	(18,142)	(18,142)	Project Facilitation	1,616,031	1,616,031	(4,906,397)	(4,249,858)	(2,633,827)
97,045	(6,999,605)	(6,902,561)	Protection Services: Fire Dept	3,952,027	3,951,515	(7,918,534)	(7,811,584)	(3,860,069)
-	(5,039,619)	(5,039,619)	Protection Services: Law Enforcement	2,888,735	2,888,735	(7,089,379)	(6,350,240)	(3,461,505)
-	-	-	Protection Services: Manager	390,128	390,128	(1,209,436)	(436,664)	(46,536)
29,742,100	(25,887,549)	3,854,550	Protection Services: Traffic	33,896,476	25,366,944	(28,590,045)	(21,576,663)	3,790,280
80,339	(827,793)	(747,454)	Revenue Services	47,090	91,604	(6,385,286)	(5,951,377)	(5,859,773)
-	(798,490)	(798,490)	Revenue Services : Meter Reading	-	-	(204,227)	(215,978)	(215,978)
96,886,435	(6,730,439)	90,155,996	Revenue Services : Property Rates	106,263,600	106,055,006	(19,762,483)	(17,761,023)	88,293,984
-	(16,510,189)	(16,510,189)	Roads , Stormwater & Buildings	9,120,076	9,120,076	(18,100,722)	(18,236,058)	(9,115,982)
-	-	-	Sport&Public Facilities Main	467,510	467,510	(1,271,424)	(1,024,789)	(557,279)
105,547	(2,533,855)	(2,428,308)	Strategic Services	148,116	148,116	(343,501)	(313,102)	(164,986)
-	(2,003,169)	(2,003,169)	Supply Chain Management	320,320	67,503	(3,458,430)	(3,604,454)	(3,536,951)
585,983	(2,782,950)	(2,196,968)	Tourism & Marketing	1,247,403	1,247,403	(3,829,169)	(3,088,653)	(1,841,250)
25,208,206	(19,920,725)	5,287,482	Town Planning & Environmental	2,158,825	2,234,551	(3,622,737)	(3,750,485)	(1,515,935)
47,770,417	(12,422,321)	35,348,096	Waste Management	27,364,218	26,247,263	(32,094,954)	(36,104,710)	(9,857,448)
-	(75,537)	(75,537)	Waste Water Purification	43,416,133	40,983,773	(18,777,953)	(19,528,935)	21,454,839
52,629,985	(19,258,513)	33,371,472	Waste Water Reticulation	-	-	(2,310,273)	(2,559,946)	(2,559,946)
-	(7,609,670)	(7,609,670)	Water Services: Water Distribution	64,149,762	64,449,775	(25,350,435)	(24,685,598)	39,764,177
-	-	-	Water Services: Water Purification	749,830	354,410	(6,562,195)	(6,815,978)	(6,461,568)
480,758,667	(416,420,188)	64,338,478	<b>Sub Total</b>	533,576,597	529,607,479	-496,800,868	-475,900,584	53,706,895
-	-	-	Less Internal charges	(40,051,046)	(40,051,046)	40,051,046	40,051,046	-
480,758,667	(416,420,188)	64,338,478	<b>Total</b>	493,525,551	489,556,433	(456,749,822)	(435,849,538)	53,706,895
-	-	-			99.20%		95.42%	

**APPENDIX C - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Budget Income	2015 Actual Income R	2015 Budget Expenditure	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
42,090,096	(41,084,630)	1,005,466	Executive & Council	22,858,876	28,444,087	(35,074,267)	(27,525,533)	918,554
99,889,886	(30,373,752)	69,516,134	Budget & Treasury	112,207,686	115,089,203	(50,530,591)	(47,043,675)	68,045,528
1,381,323	(36,426,145)	(35,044,822)	Corporate Services	1,455,604	1,082,577	(32,678,563)	(27,956,509)	(26,873,932)
2,541,069	(11,616,716)	(9,075,647)	Planning & Development	8,458,111	8,825,417	(13,347,590)	(11,807,145)	(2,981,728)
-	-	-	Health	-	-	-	(24,655)	(24,655)
6,226,014	(11,840,789)	(5,614,775)	Community & Social Services	9,711,940	7,707,878	(16,708,118)	(14,677,754)	(6,969,877)
65,273,920	(50,244,568)	15,029,352	Housing	60,213,225	63,371,536	(51,992,538)	(59,577,629)	3,793,907
29,839,144	(37,926,773)	(8,087,629)	Public Safety	41,127,366	32,597,322	(44,807,394)	(36,175,152)	(3,577,830)
2,891,171	(15,856,599)	(12,965,428)	Sport & Recreation	8,749,178	8,748,347	(16,048,398)	(14,942,069)	(6,193,722)
25,208,206	(19,920,725)	5,287,482	Waste Management	27,364,218	26,247,263	(32,094,954)	(36,104,710)	(9,857,448)
47,770,417	(12,497,858)	35,272,559	Waste Water Management	43,416,133	40,983,773	(21,088,226)	(22,088,881)	18,894,892
1,140,000	(23,724,455)	(22,584,455)	Road Transport	10,135,421	10,135,221	(27,524,892)	(26,372,206)	(16,236,985)
52,629,985	(26,886,325)	25,743,660	Water	66,515,623	66,420,216	(36,819,027)	(35,751,434)	30,668,783
103,642,400	(94,086,972)	9,555,428	Electricity	119,249,164	117,816,291	(113,001,412)	(111,850,451)	5,965,840
235,035	(3,933,882)	(3,698,847)	Other	2,114,052	2,138,348	(5,084,898)	(4,002,780)	(1,864,432)
480,758,667	(416,420,188)	64,338,478	<b>Sub Total</b>	533,576,597	529,607,479	(496,800,868)	(475,900,584)	53,706,895
(4,409,890)	4,409,890		Internal charges	(40,051,046)	(40,051,046)	40,051,046	40,051,046	
476,348,777	(412,010,298)	64,338,478	<b>Total</b>	493,525,551	489,556,433	(456,749,822)	(435,849,538)	53,706,895
					99.20%		-95.42%	

**APPENDIX D - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Grant Refunded	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>								
<b><u>National Government Grants</u></b>								
Equitable Share	-		-	40,946,000		40,946,000	18,914,000	- 0
MIG Grant	-		-	18,914,000			5,136,877	(136,877)
National Electrification Programme	-		-	5,000,000			3,000,000	(0)
ACIP	-		-	3,000,000				-
Drought Relief Grant	-		-	946,250		946,250		-
Municipal Systems Improvement Grant	-		-	1,450,000		1,450,000		-
Financial Management Grant	-		-					-
Escom Demand Side Management (EDSM)	-		-					-
<b>Total National Government Grants</b>	-	-	-	70,256,250		43,342,250	27,050,877	(136,877)
<b><u>Provincial Government Grants</u></b>								
Provincial Management Support Grant	150,000		150,000	1,448,840		648,055	150,000	800,785
Community Development Workers	15,444		15,444	34,976		33,662		16,758
Libraries	-		-	2,307,000		994,393	206,430	1,106,177
MMC Kurland	-		-					-
Spatial Planning	-		-					-
Traffic Disaster	-		-					-
Provincial Housing Grant	(6,573,345)		(6,573,345)	79,369,190		54,544,441	6,114,525	12,136,879
Proclaimed Roads Maintenance	(200)		(200)	100,000		99,800		-
EPWP	-		-	1,670,855		1,371,000		299,855
Municipal Replacement Grant	-		-	6,578,000		5,643,865	228,459	705,676
Emergency Funding N.D.M.C	329,200		329,200			-	336,865	(7,665)
Sport and Recreation Facilities	-		-					-
Thusong Grant	-		-			3,932	16,470	(20,402)
LGSETA	23,809		23,809	208,859		130,136		102,531
Working Inter Learning Grant	(4,980)		(4,980)			38,040		(43,020)
<b>Total Provincial Government Grants</b>	(6,060,072)	-	(6,060,072)	91,717,720	-	63,507,324	7,052,748	15,097,576

Grant Description	Balance 1 JULY 2014	Correction of error	Balance 1 JULY 2014	Grants Received	Grant Refunded	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
<b><u>District Municipality Grants</u></b>								
Internal Audit		-	-	-			-	-
<b>Total District Municipality Grants</b>		-	-	-			-	-
TOTAL	(6,060,072)	-	(6,060,072)	161,973,970	-	106,849,574	34,103,625	14,960,699
<b><u>Public Grants</u></b>								
Social Responsibility LED Strategy (IDC)	245,673		245,673	-		141,621		104,052
Upgrade Kwano Sportfield	-		-	-			673,385	-
Allen Vegetation (Std Bank)	673,385		673,385	-				(0)
Beaches	-		-	-				-
<b>Total Other Grant Providers</b>	919,058	-	919,058	-		141,621	673,385	104,052
<b>Total</b>	<b>(5,141,014)</b>	<b>-</b>	<b>(5,141,014)</b>	<b>161,973,970</b>	<b>-</b>	<b>106,991,195</b>	<b>34,777,010</b>	<b>15,064,751</b>